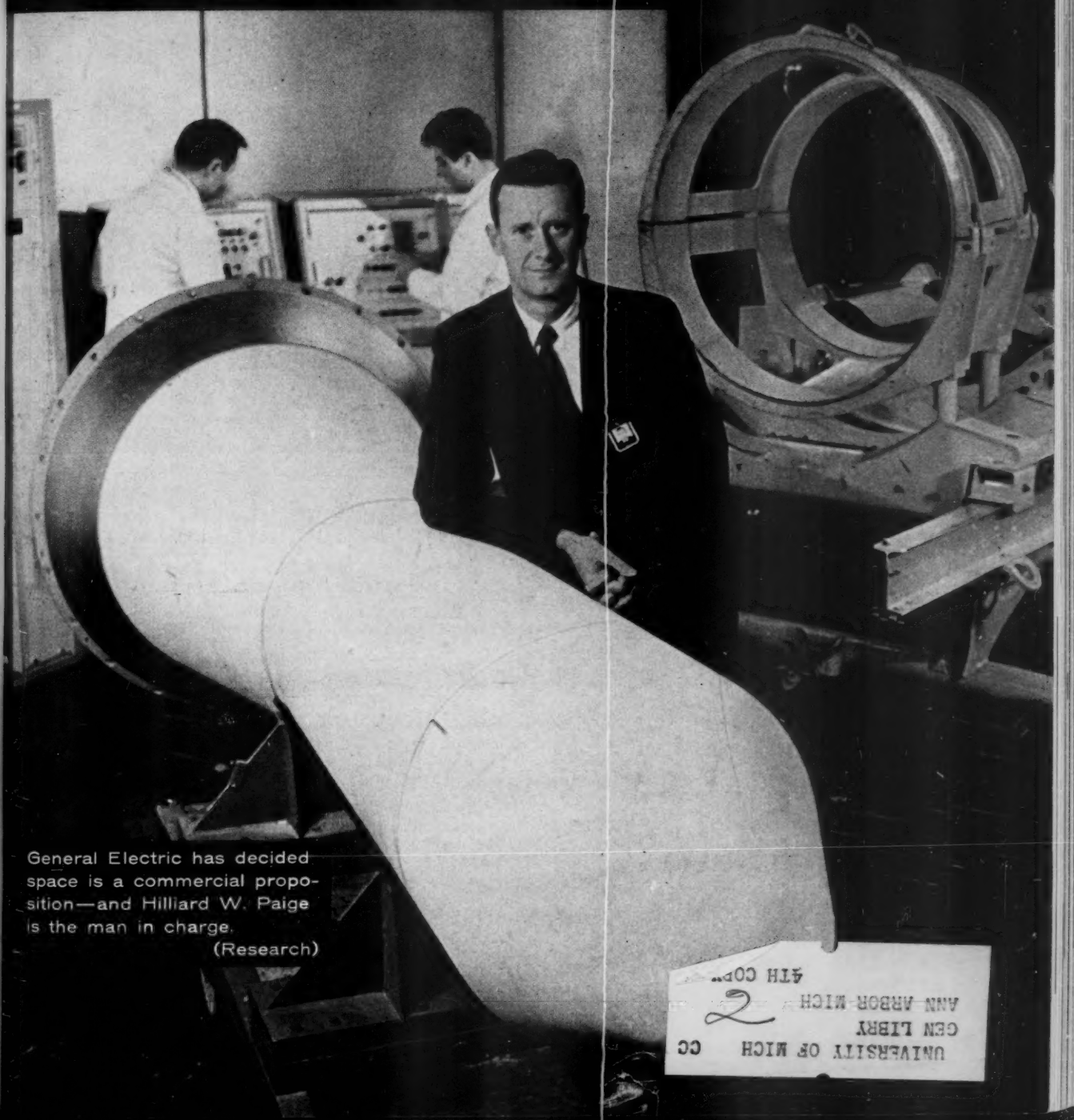
Kennedy's economic advisers

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BUSINESS WEEK

A McGRAW-HILL PUBLICATION FIFTY CENTS FEB. 18, 1961



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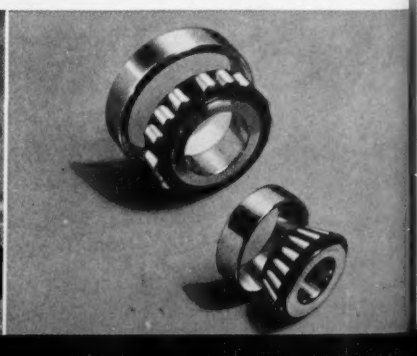
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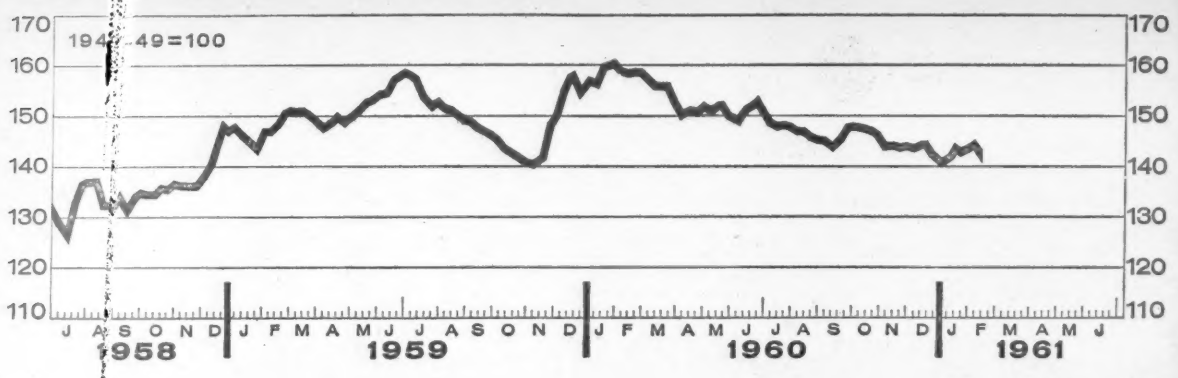
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NUMBER 1642

FIGURES of the WEEK



	1953-55 Average	Year Ago	Month Ago	Week Ago	§ Latest Week
BUSINESS WEEK INDEX (chart)	**133.3**	**159.1**	**144.3**	**145.0r**	**143.5***
PRODUCTION					
Steel ingot (thous. of tons)	2,032	2,687	1,482	1,492r	**1,524**
Automobiles	125,553	153,186	110,808	100,589r	**91,614**
Engineering const. awards (Eng. News-Rec. 4-wk. daily av. in thous.)	$52,412	$55,824	$84,546	$52,595	**$51,319**
Electric power (millions of kilowatt-hours)	10,819	14,071	14,684	15,072	**14,744**
Crude oil and condensate (daily av., thous. of bbls.)	6,536	7,256	7,151	7,136	**7,173**
Bituminous coal (daily av., thous. of tons)	1,455	1,412	1,366	1,171r	**1,238**
Paperboard (tons)	247,488	325,402	305,418	313,152	**301,286**
TRADE					
Carloadings: miscellaneous and l.c.l. (daily av., thous. of cars)	70	59	47	46	**48**
Carloadings: all others (daily av., thous. of cars)	47	39	33	33	**35**
Department store sales index (1947-49 = 100, not seasonally adjusted)	121	111	118	103	**106**
Business failures (Dun & Bradstreet, number)	198	317	335	368	**376**
PRICES					
Industrial raw materials, daily index (BLS, 1947-49 = 100)	89.2	93.4	87.0	88.0	**88.4**
Foodstuffs, daily index (BLS, 1947-49 = 100)	90.5	72.7	77.3	78.7	**78.9**
Print cloth (spot and nearby, yd.)	19.8¢	22.2¢	17.5¢	17.4¢	**17.5¢**
Finished steel, index (BLS, 1947-49 = 100)	143.9	186.8	186.2	186.2	**186.2**
Scrap steel composite (Iron Age, ton)	$36.10	$39.17	$31.50	$32.50	**$33.50**
Copper (electrolytic, delivered price, E&MJ, lb.)	32.394¢	33.350¢	29.575¢	29.000¢	**29.000¢**
Aluminum, primary pig (U. S. del., E&MJ, lb.)	20.6¢	26.0¢	26.0¢	26.0¢	**26.0¢**
Aluminum, secondary alloy #380, 1% zinc (U. S. del., E&MJ, lb.)	††	25.01¢	23.00¢	22.96¢	**22.90¢**
Wheat (No. 2, hard and dark hard winter, Kansas City, bu.)	$2.34	$2.10	$2.03	$2.06	**$2.05**
Cotton, daily price (middling, 1 in., 14 designated markets, lb.)	34.57¢	31.97¢	30.11¢	30.24¢	**30.34¢**
Wool tops (Boston, lb.)	$1.96	$1.77	$1.67	$1.69	**$1.70**
FINANCE					
500 stocks composite, price index (S&P's, 1941-43 = 10)	31.64	55.11	59.50	62.03	**61.60**
Medium grade corporate bond yield (Baa issue, Moody's)	3.59%	5.33%	5.11%	5.08%	**5.07%**
Prime commercial paper, 4 to 6 months, N. Y. City (prevailing rate)	2-2⅛%	4⅜%	3%	2⅞%	**3%**
BANKING (Millions of Dollars)					
Demand deposits adjusted, reporting member banks	††	60,597	61,164	60,686	**60,192**
Total loans and investments, reporting member banks	††	101,699	109,068	109,651	**108,630**
Commercial, industrial, and agricultural loans, reporting member banks	††	30,966	32,750	32,155	**32,131**
U. S. Govt guaranteed obligations held, reporting member banks	††	26,117	30,154	30,712	**30,260**
Total federal reserve credit outstanding	26,424	27,135	28,597	27,853	**28,148**
Gold Stock	21,879	19,433	17,615	17,436	**17,415**

MONTHLY FIGURES OF THE WEEK		1953-55 Average	Year Ago	Month Ago	Latest Month
Employment (in millions)	**January**	62.2	64.0	66.0	64.5
Unemployment (in millions)	**January**	2.5	4.1	4.5	5.4
Average weekly earnings in manufacturing	**January**	$73.36	$92.29	$89.55	$89.55
Retail sales (seasonally adjusted, in billions)	**January**	$14.5	$18.1	$18.0	$17.7
Imports (in millions)	**December**	$902	$1467	$1161	$1157

* *Preliminary, week ended February 11, 1961.*
†† *Not available. Series revised.*
r *Revised.*
§ *Date for 'Latest Week' on each series on request.*

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READERS REPORT

Humane Art

Dear Sir:

You are to be congratulated, in the opinion of this active member of the Democratic Party, on the approach you have taken in reporting the challenges confronting the nation under the new Administration.

Your issue of January 28 does a remarkable job of depicting the need for a broad vision of those challenges, and the need for a national response.

From the article on inventory liquidation, which states that the economy is now in recession, to the sympathetic article on India's Third Five-Year Plan, which notes that "Private enterprise spurted unexpectedly in India's mixed socialist-capitalist economy," you have spared no effort to report truth uncluttered by bias.

Your approach reflects, I think, what business, with other parts of our society, has learned in its coming-of-age in this century: that economics is a humane art, not a statistical science exclusively; that men who hold power in any form must wield it with wisdom and responsibility; and that there does exist a unified American viewpoint on our problems and on our opportunities—a viewpoint not divided on lines of class or interest, as the enemies of our country have too long insisted. . . . The new Administration will need the informed criticism offered by business which only this broader vision of the role of business can produce. . . .

You do a real service, in this reader's opinion, in an editorial policy which reflects the truth.

PETER STANFORD
ACCOUNT EXECUTIVE
OGILVY, BENSON & MATHER INC.
NEW YORK, N. Y.

Sunny South Georgia

Dear Sir:

Your article "Big Steel Gets Jump in Canadian Ore Race" [BW—Jan.28'61,p62] prompted this letter. Why does big steel search for iron ore under freezing conditions in another country when we here in Sunny South Georgia, USA, have iron ore in abundance and very near a soon-to-be-completed navigable waterway on the Chattachoochee River? We also have some 99% pure limestone. . . .

JOE SALTER
THE CHAMBER OF COMMERCE
ARLINGTON, GA.



Mayfield, Kentucky, has invested 9½-million dollars in this recently completed plant for The General Tire & Rubber Company.

KENTUCKY offers more industrial FINANCING PLANS than any other state!

THANKS partly to Kentucky's natural advantages, and partly to its *unique* combination of new-plant financing plans to supplement the usual commercial financing, more great and successful companies are now negotiating or building new plants in this fast-growing State than ever before in history.

A $9,500,000 plant has just been built in Mayfield, Kentucky, for The General Tire & Rubber Company – financed through the issuance of industrial revenue bonds. Other large new plants have similarly been built or are now building in Danville, Franklin, Eminence, Lebanon, and Bowling Green, for Genesco, Inc., Potter & Brumfield Division of American Machine & Foundry Company, Red Head Division of Brunswick Corporation, Swift and Company, and Bowling Green Manufacturing Company, subsidiary of Holley Carburetor Company.

And, just this year, Kentucky has created two additional sources of industrial financing (one from public funds and one from private funds) which now give Kentucky an unmatched "complete line" of different financing plans:

1. **Industrial Development Finance Authority:** The 1960 General Assembly, for the first time, appropriated funds which can be loaned to local non-profit industrial development agencies to finance industrial subdivisions and plants.
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Would your company like to consider the advantages of financing a Kentucky operation? We would feel privileged to send you full details and recommendations. Your inquiry will be held in strictest confidence. *Address:*

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Department of Economic Development
300 State Capitol Building, Frankfort, Kentucky

COMMONWEALTH OF
KENTUCKY

WHERE BIG THINGS ARE HAPPENING

BUSINESS OUTLOOK

BUSINESS WEEK
FEB. 18, 1961



Retail sales in January fell to the lowest point in 13 months (after allowance for seasonal factors and differences in numbers of trading days), according to the Dept. of Commerce.

The total for all types of stores compared unfavorably both with December and with a year earlier (although only about 2% under in each instance).

Moreover, **January was the third straight month to show a decline**—precisely the pattern of **consumer income** in the same period.

Merchants rang up $17.7-billion in January sales against $18-billion in December and $18-billion-plus a year earlier.

Attrition was felt by establishments handling both durable and nondurable goods. Even **food** sales (which hold up better than average during recessions but can't overcome weather that keeps housewives at home) posted the lowest dollar volume for any January since 1958.

Apparel stores, like food markets, find a culprit in the weather.

Even though people may have needed winter garments and footwear, it was difficult for many to get out and buy them; those who did get out often found stores sold out of snow-country goods.

All in all, the preliminary figures add up to **the poorest January for apparel volume since 1957.**

Furniture and appliance dealers, running behind year-earlier levels ever since last spring, found January results in the same rut. They're looking to the expected increase in housing (however slight) for help.

And **sales of new autos** dived in January from the good levels of late-1960, further depressing dollar totals in hardgoods. Nevertheless, unit sales of U. S.-built cars very nearly matched a year ago, the decline resulting largely from a drop of 10,000 or 25% in imported models.

—•—

Economists have been saying, up to now, that consumers were buying more goods than were being produced. As long as that was true, they could confidently predict an early upturn in the **inventory cycle.**

Yet they harbored the knowledge right along that continued inventory liquidation might weaken the outlook for jobs, income, and spending.

Now that retail sales have turned disappointing, the question has to be: **Is the recession fanning out from just an inventory adjustment into something that may get more serious?**

Consumer spending at retail, at this point, **might be reflecting any of these factors:**

- **Fears** over being able to get a job or hold the one you have;
- An actual purse-pinch on the **incomes** of a great many families;
- Or **weather** so bad that people simply haven't been in the stores.

Unless you say with a good deal of confidence that it's mostly weather, **you have to have misgivings** about an early upturn in business.

Consumer psychology can shift swiftly and subtly, of course.

If weather should turn fine before Easter (and if weather has, indeed, been the villain), good catch-up buying might result.

Moreover, **Washington's programs** to relieve the distress of unemployment and bolster purchasing power might stem any further erosion in personal income, thus strengthening consumer confidence.

In any event, **the spotlight will remain strongly on the consumer.**

—•—

Auto production is dragging bottom this month at a scheduled 380,000 units; it has been declining month by month ever since the new-model year zoomed off at 617,816 in October. March is now set at 480,000.

This tells you a good bit about the economy—even if you hadn't been keeping track of layoffs in the assembly plants. When **an industry that accounts for $40-billion of retail sales** (counting used cars, trucks, parts, etc.) slows to little more than half speed, **it hurts.**

Production of automobiles for the first quarter now is scheduled at 1,275,000, according to Automotive News.

That's a cut of some 175,000 from output planned as the quarter started and the poorest, except for 1958, in the last half dozen years.

The figure looks particularly bleak against the 2-million output for the same period last year when the industry was racing to make up for production losses imposed by 1959's steel strike.

Even the reduced rate of operations seems so far to have **accomplished little in the way of reducing dealers' stocks of new cars.**

January production of 414,500 seems to have topped domestic sales and exports by about 25,000 or so, field stocks of U. S.-built automobiles rising to an estimated 1,027,000 at the beginning of February.

Nevertheless, stocks may be pared a little this month; not only is output down, but dealers report some improvement in sales.

—•—

Cutbacks in the auto plants—with their wide repercussions in other industries—**help to account for January's unemployment of 5,385,000.**

Manufacturing layoffs last month cut 260,000 from payrolls, a larger than seasonal drop. Nevertheless, the total rise of 850,000 in jobless last month was **a little less than would normally have taken place.**

Three-quarters of the 900,000 decline in manufacturing employment over the last year has been in transportation equipment (which includes autos), metals (from which autos are made), and machinery.

If **unemployment** rises above 5½-million when the February count is complete, **total employment** will fall below year-ago levels.

This may not, on its face, seem surprising. The point is that, even with business sagging, **employment has set successive records for the month in every one of the last 13 months—even in January this year.**

This ability to support record payrolls (in the face of climbing unemployment) explains how business has held up as well as it has.

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BUSINESS WEEK

FEBRUARY 18, 1961

NUMBER 1642



BUSINESS meets the Administration: Pres. Kennedy at luncheon beside Charles M. White, honorary chairman of Republic Steel.

Wooing Support From Business

Close to a thousand U. S. industrialists came away from Washington this week with assurances from Pres. Kennedy, Vice-Pres. Johnson, and Cabinet members that the new Administration hopes to gain its goals by cooperating with business rather than by fighting it.

In this first formal meeting between the business community and the President—it was sponsored by the National Industrial Conference Board—Kennedy went out of his way to calm any fears of businessmen that his regime would be hostile to business.

He told the industry leaders: "We know that your success and ours are intertwined. Whatever past differences may have existed, we seek more than an attitude of truce, more than a treaty—we seek the spirit of a full-fledged alliance."

Later, Vice-Pres. Johnson, in an almost impassioned speech, urged businessmen to forget shibboleths of the past. Again and again he told them that "yesterday was yesterday," that new responses are needed from business to meet new facts. "We want no proxy wars with business," he said.

• **Break for Expansion**—As if to emphasize his call for an alliance with business, Kennedy used the occasion to say he would soon send to Congress a proposal for "a new tax incentive for businesses to expand their normal investment in plant and equipment."

Kennedy did not spell out his intentions, but tax officials are working on a proposal to be sent to Congress about Apr. 1 embodying tax credit for plant investment this year over and above normal depreciation, coupled with tightening of some "loopholes" such as dividend tax credit to offset the losses to the Treasury.

• **Give and Take**—For this blue-ribbon gathering of industrialists, NICB managed to turn out a good representation of top U. S. leaders (pictures, this and following pages). In turn, Kennedy produced a string of his top Cabinet officials. They laid out the domestic and foreign problems the nation faces and urged business to understand their magnitude and difficulty. And they exposed themselves at the day-long meeting to questions from the floor.

At the end of the day, the consensus was that, at least for the present, the Democratic Administration is bending over backward to stay out of any knockdown fights with business. The very fact that Kennedy and his team agreed to participate in such an assembly so soon after taking office was heartening to the businessmen. The NICB simply presented the idea to the President, who quickly agreed.

Many businessmen clearly have been wondering about where they fit into a regime replete with professors and others of whom they have always been suspicious. The NICB session at least gave them some indication that their views and problems aren't going to be



SECY. OF STATE Rusk talked of the problems of doing business abroad, of what businessmen can do to help the nation's trade. He was one of three Cabinet members on the program. Top businessmen acted as chairmen at NICB meeting, in this case Alan H. Temple (back to camera), vice-chairman of the First National City Bank of New York.



SECY. OF LABOR Goldberg is buttonholed by White with questions about wage-price policy. Between them is R. G. Follis, chairman, Standard Oil Co. of Calif.

Top business leaders mingled with Administration chiefs and listened to their views (story starts on page 23).

ignored completely. The olive branch was obviously being extended.

• **Makes a Hit**—At the luncheon where Kennedy spoke, the businessmen roundly applauded him. They liked his "Irish humor," laughed hard when he quipped that "it would be premature to ask your support in the next election, and it would be inaccurate to thank you for it in the past."

Kennedy didn't retreat from his campaign theme that economic growth has been far too slow. But he put his goal in palatable terms, with only passing reference to big new spending programs.

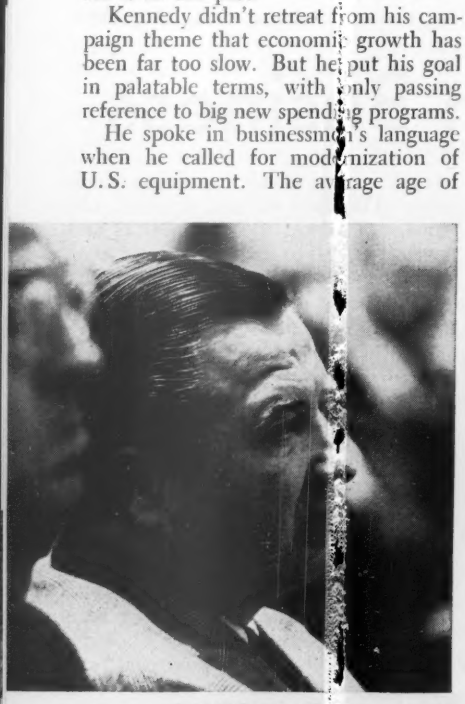
He spoke in businessmen's language when he called for modernization of U.S. equipment. The average age of production facilities, he said, was rising when "in a dynamic economy that average should be falling."

Moreover, the definite promise of a tax incentive to help capital investment was exactly what some had come to hear. The president of a small manufacturing company in Ohio, for instance, told Secy. of Labor Arthur J. Goldberg that he was ready to spend $50,000 tomorrow for two new turret lathes if he could be certain of a faster depreciation rate.

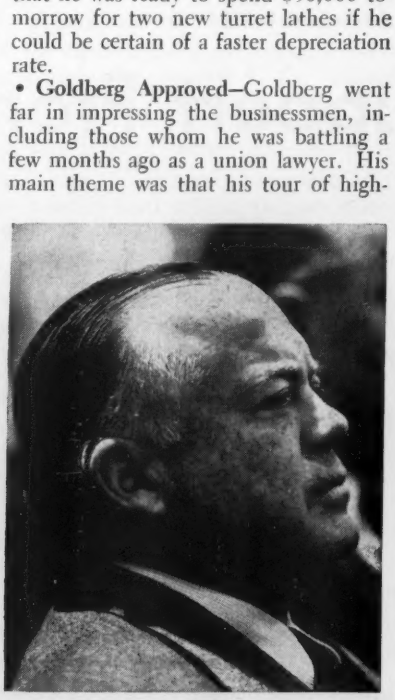
• **Goldberg Approved**—Goldberg went far in impressing the businessmen, including those whom he was battling a few months ago as a union lawyer. His main theme was that his tour of high-unemployment areas and his labeling of the present slump a "full-fledged recession" were not born of political motives. Rather, he said, they were to indicate the concern of the President and to alert the nation that action was needed "to see the economy reinvigorated."

He promised there would be no new WPAs. The Administration's primary objective, he said, is to take the measures necessary so that private industry can provide jobs for "all who are ready, willing, and able to work."

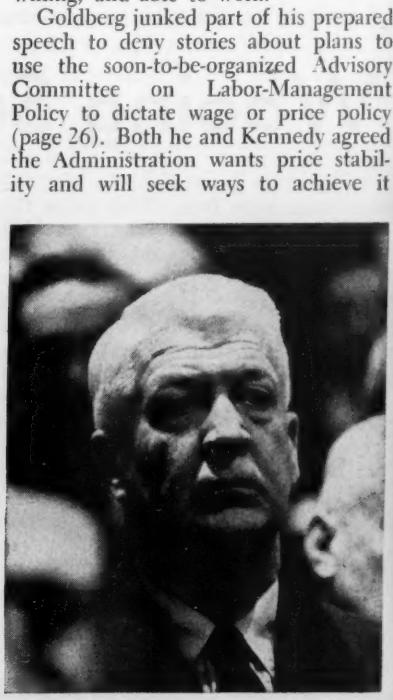
Goldberg junked part of his prepared speech to deny stories about plans to use the soon-to-be-organized Advisory Committee on Labor-Management Policy to dictate wage or price policy (page 26). Both he and Kennedy agreed the Administration wants price stability and will seek ways to achieve it



HENRY FORD II
Chairman, Ford Motor Co.



RICHARD S. REYNOLDS, JR.
President, Reynolds Metals Co.



FREDERIC B. WHITMAN
President, Western Pacific RR Co.



VICE-PRES. Johnson, after calling for business support of the Administration, chatted with individual members of the big group, many of whom he knows by name. Here, Johnson (left) discusses a point with Philip W. Pillsbury, Pillsbury Co. chairman.



SECY. OF COMMERCE Hodges (left) follows his turn in question-and-answer period by talking with members on the floor, such as Cris Dobbins (back to camera), president of Ideal Cement Co., and (facing camera) Murrell O. Matthews, Ideal's Exec. V-P.

but without direct or indirect controls.

• **Some Criticism**—About the only point where the businessmen found fault with Goldberg was in his defense of industrywide bargaining. He said any law that would prevent such bargaining would inevitably breed another law to require business to bargain on a local, plant-by-plant system, with full authority in the hands of local management to make whatever deals it could, regardless of company policy. Many men listening thought the argument specious.

On another point—the increase in unemployment compensation taxes on business to finance the Administration's extended jobless pay plan—Goldberg was able to deal with a criticism from the floor by insisting this was the only fiscally sound method.

At any rate, Goldberg left the businessmen in good spirits, especially when he opposed a shorter work week for the same pay.

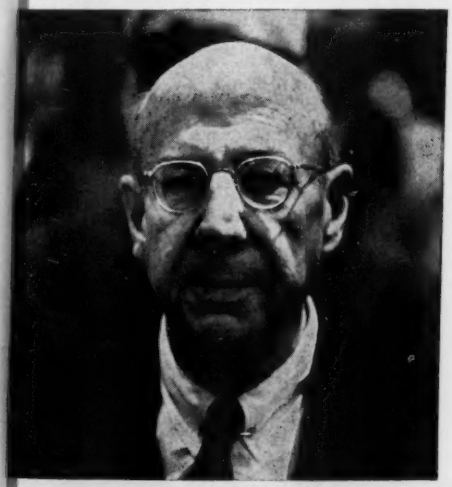
• **Government in Business**—Despite the general mood of conciliation, there was little question left in the minds of the businessmen that they can expect the government to play a lot bigger role in their affairs than they have been used to in the past eight years. That bothered some of the group, one of whom summed up the meeting: "It confirmed our worst fears."

In particular, the businessmen bridled at remarks by Ivan A. Nestigen, Under Secretary of Health, Education & Welfare and former mayor of Madison, Wis. Nestigen filled in for Secy. Abraham A. Ribicoff, who was ill. His list of things he insisted the federal government must tackle on a national basis—water and air pollution, hospital construction, medical care for the aged, aid to education—raised the businessmen's old fear of federal control.

Question after question put to Nestigen revealed this concern. Nestigen stuck to his guns, admitting that the issues are controversial but insisting that solution to many of the problems is beyond the financial ability of local and state governments.

• **What Worries Business**—Questioning from the floor gave some indication of things now bothering businessmen—foreign competition, big government, labor featherbedding to negate automation. Questioners were interested in the possibility of more trade with Russia.

Secy. of Commerce Luther H. Hodges, a former businessman who was sympathetically received by the group as one of them, was applauded when he bluntly answered "no" to the ques-



FREDERIC W. ECKER
Chairman, Metropolitan Life Insurance Co.



HAROLD H. HELM
Chmn., Chemical Bank New York Trust Co.



CHARLES H. KELLSTADT
Chairman, Sears, Roebuck & Co.

tion of whether our commercial attaches abroad know their jobs. He said there had to be a "much closer relationship" between these State Dept. officials and his Commerce Dept. He indicated he hoped to involve the Commerce Dept. in foreign trade policy.

On the other hand, he said too many businessmen don't think about exports "until they run out of domestic business," and he suggested that labor and management are both to blame for any inability to compete with foreign goods.

As for bureaucracy, he answered that he had no intention of building a bigger empire and was opposed to creation of a transportation department that would just multiply costs. This also brought satisfied smiles in the audience.

• **Labor Issues**—In Goldberg's quiz period, he heard questions about featherbedding, the lack of success of labor-management meetings, the economic power of labor unions. He took criticism of Labor Dept. statistics.

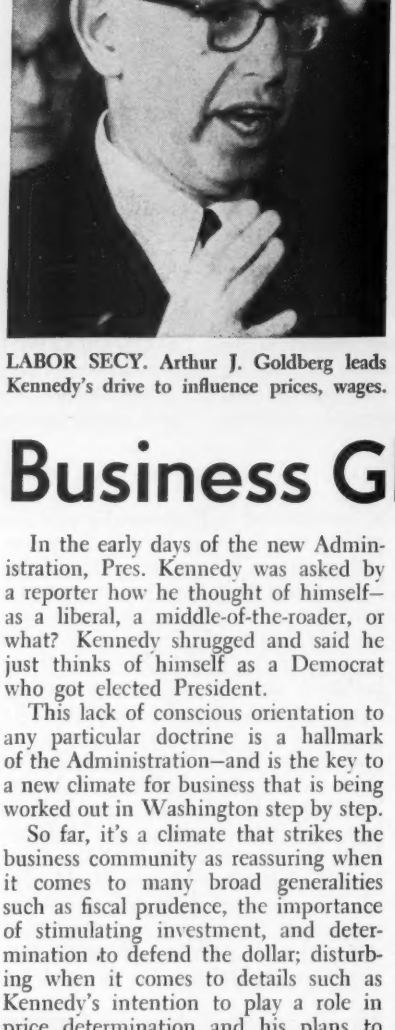
Goldberg agreed that U. S. industry must step up modernization programs, to compete abroad, but he said that the human problems of automation must be solved, too. He gave no specifics but said ways to handle displaced workers must be devised—then "featherbedding will disappear."

He also promised that the new advisory group on labor-management relations would hand down no prepared resolutions but would be a channel for communication among business, labor, and the Administration. Businessmen who are afraid of big-scale organized labor, he insisted, are simply being nostalgic, remembering the days when business itself was much smaller.

He pledged that under his regime the Dept. of Labor's career people will have a free hand in developing and presenting the statistics that business needs. There will be fixed dates for the release of government figures, with no political considerations.

• **State Affairs**—From Secy. of State Dean Rusk, the businessmen wanted most to know what they could do to help increase exports and improve relations with other nations. He had already asked for their support in Congress for formation of the Organization for Economic Cooperation & Development, out of which should come plans for a transfer of part of the U. S. economic aid burden to European nations.

In reply to questions, he asked businessmen to find out and report some of the little matters that are going wrong abroad, so that all of the department can be kept in tune with general policies. Trained men are needed by the department, he said, adding that he is encouraged by the interest in foreign services that is being shown by young people.



LABOR SECY. Arthur J. Goldberg leads Kennedy's drive to influence prices, wages.



COMMERCE SECY. Luther H. Hodges backs Goldberg's experiment to curb prices.

Business Glimpses Blue Sk

In the early days of the new Administration, Pres. Kennedy was asked by a reporter how he thought of himself—as a liberal, a middle-of-the-roader, or what? Kennedy shrugged and said he just thinks of himself as a Democrat who got elected President.

This lack of conscious orientation to any particular doctrine is a hallmark of the Administration—and is the key to a new climate for business that is being worked out in Washington step by step.

So far, it's a climate that strikes the business community as reassuring when it comes to many broad generalities such as fiscal prudence, the importance of stimulating investment, and determination to defend the dollar; disturbing when it comes to details such as Kennedy's intention to play a role in price determination and his plans to raise Social Security and unemployment insurance taxes.

There is no clearly stated Administration policy toward business, and there won't be. This is an Administration without any strong commitment to the Democratic tradition of being critical of business—but not much impressed by the political sensibilities of businessmen, either.

• **Uncertainty**—Even Washington representatives of industries with huge stakes in government policy—oil and electric utilities, for example—don't yet agree on what to make of the Administration.

On the whole, however, it has the appearance of an Administration more inclined actively to court the support of business than to play the role of public scold. That showed this week when Kennedy personally led Vice-Pres. Johnson and three key members of his Cabinet before a meeting of the National Industrial Conference Board (page 23) to talk reassuringly about business and the new Administration.

At the same time, Kennedy is making it plain that he will use the office of President to influence the decisions of industrialists and union chiefs; he is determined to experiment with money rates, trying to lower long-term rates while short-term rates remain stable; he will fight in Congress and before the people for a bigger and more expensive Social Security system. It adds up to an Administration that will tramp freely on the toes of businessmen in the interests of what some of Kennedy's thinkers like to call social engineering. This explains the doubts and fears that simmer in the minds of some business leaders.

• **Crucial Areas**—As the Kennedy program unfolds, the worries of business coalesce around four crucial areas:

• Kennedy's avowed purpose of trying to hold back prices (as well as wages) through his advisory committee on labor-management policy.

• The possibility that a crackdown on industry pricing practices will be led by the new chairman of the Federal Trade Commission, Paul Rand Dixon.

• The possibility of a strong anti-business tone in a series of Congressional investigations under the leadership of Sen. Estes Kefauver (D-Tenn.) and Rep. Emanuel Celler (D-N. Y.).

• The content of the forthcoming tax reform proposals. Kennedy plans to make up any revenue loss from new



FTC CHMN. Paul Rand Dixon will try to write a new chapter in antitrust activity.



RACKETBUSTER Estes Kefauver gets $450,000 for attacks on pricing policies.

Sky Over White House

depreciation benefits by striking out of the law other benefits (BW—Feb.11'61 p25).

• **On the Defensive**—In addition to such specifics, there is an uneasy feeling that business has been put on the defensive by recent events involving ethical standards: the Philadelphia price-fixing convictions of electrical equipment producers; the conflict-of-interest controversy in Chrysler Corp.; and the resignation of the president of Prudential Insurance Co. of America in the wake of another conflict-of-interest case.

Kennedy's words so far have been gentle. In regard to the electrical equipment makers, he has merely expressed the hope that business would itself "lift this shadow" from its shoulder, and he has made only the most indirect reference to the other cases. But the possibility of exploiting these troubles in a wave of anti-business speechmaking later on is obvious.

One of the ethics cases—that of the electric companies—has already raised questions about the Administration's relations with the Commerce Dept.'s Business Advisory Council, a group of top-level business executives that for more than 20 years has met in off-the-record sessions with government officials. At a press conference this week, Commerce Secy. Luther H. Hodges was asked whether he thought Ralph Cordiner, chairman of General Electric Co., should resign as chairman of BAC because of the Philadelphia case. Hodges refused to be drawn into a discussion on the grounds it was a matter for Cordiner and BAC. "I do not like what I read in the newspapers," Hodges said, but he would not express an opinion as to whether Cordiner should resign.

I. Influencing Prices

Labor Secy. Arthur J. Goldberg is the key man in Kennedy's most ambitious venture into political economics—the plan for an advisory committee on labor-management problems consisting of seven business leaders, seven union leaders, and five persons representing the public at large. The Secretary of Labor and the Secretary of Commerce will also be members, supposedly giving the public two additional voices.

An executive order has been drawn, but not yet issued, directing the committee to advise the President on such matters as prices, wages, collective bargaining, automation, and the country's competitive position in world trade. Business organizations and businessmen immediately became suspicious; the setup sounded much like the old tripartite boards of World War II in which business was outvoted consistently, 2 to 1, with labor and public members joining forces.

• **Moderate Step**—Inside the Administration, the committee is described as a moderate step toward influencing the price and wage decision of industry and labor. Committee members deny there is any intention to move on to specific controls at a later time. Their hope is that by holding regular meetings, perhaps backed up by management and labor conferences around the country, a climate stressing the public welfare can be created well in advance of important labor contract negotiations.

If all should go as the plan's backers hope, this climate would exert a moderating effect on the demands of labor, and would in turn make it more difficult for management to put into effect price increases not justified by rising costs. The advice of the committee along such lines to the President would be proclaimed as in the national interest, and would be backed by the full moral authority of the White House.

• **Sales Pitch**—The problem of Kennedy and Goldberg, along with Commerce Secy. Hodges, is to convince management and labor that this approach differs significantly from wage and price fixing.

"The committee would never wrestle with anything like whether the Auto Workers this year ought to get 20¢ an hour, 10¢ an hour, or nothing," one backer of the plan insists. "That's for collective bargaining. But the committee will talk about the fundamental economic problems confronting the country."

Kennedy stressed the point in his remarks to the National Industrial Conference Board. The federal government, he said, has "only a limited influence" over prices and wages and "this is as it should be." But he added that the public interest in wages and prices is substantial and "ways must be found to bring that public interest before the parties concerned. . . ."

• **Role of Prices**—In his message on the gold outflow, Kennedy came back several times to the role of prices—and of wages where wage increases lead to higher costs. Maximum emphasis, he told Congress, must be placed on expanding exports if the gold problem is to be brought under control; "Our costs and prices must therefore be kept low." Thus as Kennedy approaches the price problem, considerably more is involved than the traditional political stress on the consumer price index—and the moral pressure on both labor and management might conceivably be heavier than either group now imagines.

An official brought to Washington largely to work on the project puts it this way: "I have seen machine tools, manufactured in France, taken apart and examined piece by piece in one of our best machine tool manufacturing plants. That tool was a first-class piece of goods and it was made in a French factory with 30% less manhours than would have been necessary in the U. S. factory, because the French outfit is that much further ahead in modern production methods." This official feels that labor and management must have a forum where such problems can be discussed without reference to labor contracts.

Business organizations and many in-

dividual businessmen are ready to fight the whole idea. They point out that, in the past, moral suasion from the White House has failed to affect prices and that when it affects wages it has always been on the side of the unions.

II. Policing Prices

As chairman of the Federal Trade Commission, Dixon will be an Administration price policeman along with the Justice Dept.'s Antitrust Div. Dixon moves up from staff director of Kefauver's antitrust subcommittee, which over the past several years has launched sharp attacks on the pricing policies of the steel, drug, and auto industries.

Dixon has been a chief thinker and idea man in the Kefauver stable of economists and reformers. In his new job, he will try to apply some of the "administered price" theory developed in the Kefauver hearings—the view that the mere existence of price uniformity in an industry indicates lack of competition and a violation of the antitrust laws. If Dixon is able to make this stick, it will be a major breakthrough in price regulation by the federal government.

Section 5 of the law establishing FTC will be used as the legal basis for Dixon's drive. It broadly prohibits all "unfair methods of competition . . . and unfair or deceptive practices." Heretofore, FTC attorneys have always hesitated to go into court under Sec. 5 alone, but have laboriously pieced together cases in which there is some evidence of potential stifling of competition. This week, they put Sec. 5 to work in a case against American-Marietta Co. (page 34).

• **Key Backers**—Such Kennedy appointees as Frank W. McCulloch, chairman of the National Labor Relations Board, and William L. Cary, chairman of the Securities & Exchange Commission, will also play key roles in establishing the kind of relationship business will have with the Administration. The electric power industry will watch Joseph C. Swidler and Howard Morgan, new members of the Federal Power Commission, for signs of favoritism to public power. The oil industry is braced for a tougher natural gas policy.

But prices and the way industry sets prices seem likely to play the major role in Washington this year.

III. Congressional Probers

Kefauver is planning to keep his position as the No. 1 Congressional investigator of business practices. He is getting permission to spend $450,000 to keep his staff together. A steel price increase in coming months would mean an immediate investigation by Kefauver. His staff is also preparing a report on identical bidding in the Defense Dept.

Kefauver also is preparing legislation on drug prices for submission in the next several weeks. It will likely contain provisions to tighten advertising requirements and possibly to change the patent laws.

• **Backstops**—Rep. Wright Patman (D-Tex.), chairman of the Joint Economic Committee of Congress, is seeking to have the Justice Dept. report periodically on studies it makes of identical bidding for government business at federal, state, and local levels.

Rep. Adam Clayton Powell (D-N.Y.), chairman of the House Education & Labor Committee, has established a permanent subcommittee under Rep. Herbert Zelenko (D-N.Y.) to keep watch over irregularities in the practices of management and labor. This may develop into an effort to get into the anti-racketeering area that has kept Sen. John L. McClellan (D-Ark.) in the limelight the past several years.

McClellan has received authority and funds from the Senate to continue his own investigations; he's already looking at delays and rising costs in construction of missile launching sites.

IV. Weathervane Industries

No industries are more sensitive to the changing business climate of Washington than oil and electric power. What do they make of the new Administration?

Spokesmen for oil, who a few months ago looked on the possible election of Kennedy with horror, seem remarkably relaxed. Many think Kennedy's appointments are, on the whole, reassuring. Stewart L. Udall as Interior Secretary; J. R. Parten, former president of Woodley Petroleum Co. and a director of Pure Oil Co., as an adviser; John M. Kelly, owner of a wildcatting company in New Mexico, as Assistant Secretary for Minerals in Interior. They expect Vice-Pres. Johnson to speak up for the industry in the inner councils. All this, they feel, at least balances the number of tax reformers opposed to the 27.5% depletion allowance named by Kennedy to Treasury and other positions.

• **The Skeptics**—On the other hand, utility executives feel that Kennedy has brought in men with an overwhelming bias toward public power. Company officials feel there will be moves to build big federal transmission lines, many duplicating lines owned by the utilities. They also expect a push for many new power-related federal construction projects. Some even fear Kennedy will try to create power authorities along the lines of the TVA in the upper Missouri Basin, in the Bonneville area and in the Allegheny mountain area, as part of a depressed areas bill.

U. S. Brings

In quest for closer cooperation—and IMF support—Administration explores financial problems with visiting mission.

If the State Dept. hadn't just cornered the phrase "quiet diplomacy" to describe its preferred approach to major East-West issues, the U. S. Treasury could be applying it aptly to the talks it is holding this week in Washington with a small British mission on the basic financial problems now facing the Western world itself.

Treasury and Federal Reserve Board officials are calling the talks "exploratory." "Informal" is the word used by Sir Frank Lee (picture), who heads the team from the British Treasury and Bank of England. Actually, the talks are likely to rank pretty high in the annals of financial diplomacy. You can sense their importance just by looking at the present financial strain on the U. S., and the strain the British would feel if we unloaded much of our problem on them.

• **U. S. Stake**—For the U. S., there is plenty at stake in these talks. The Kennedy Administration is trying to find an early solution to this country's balance-of-payments problem, and to do it without either upsetting U. S. military and aid commitments abroad or undermining the relatively free trade and payments system under development ever since Bretton Woods.

The Administration is pretty well convinced that, to reach this goal, it will have to make important policy innovations over the next few months, even though the dollar is stronger today than it has been for some months.

• First, the U. S. will turn to the International Monetary Fund for direct support in maintaining the strength of the dollar. Pres. Kennedy hinted at this in talking recently about the resources available to him in defending the dollar. Up to now, of course, the U. S. and the IMF have worked together to support many other currencies—but never the dollar.

• Second, Washington hopes to develop closer coordination of economic and monetary policies with the leading industrial nations of Western Europe. Such coordination would be pushed further with Britain than with any other ally, since Britain is the only one that has a role similar to ours—acting as a world banker, and operating a currency held by other nations as part of their own reserves.

Today, the currency reserves of the free world consist of dollars, pounds, gold, and IMF drawing rights. Essen-

Britain in on the Gold Problem



SIR FRANK LEE heads British mission in Washington for monetary talks.

tially, the hope is to increase the role of the last of these, to take the strain off the first.

• **British Views**—As the British government sees things, both these shifts in U.S. policy would make sense for Britain as well as for the U.S. What London fears above all is that the U.S. might lurch instead to outright protectionist measures as a way out of our payments difficulties, thus undermining an already ticklish British position. Britain did gain some $500-million in reserves last year, but only because of a huge and probably non-recurring inflow of short-term capital from the U.S. This kind of money no longer is leaving New York, which helps explain why the dollar has firmed up considerably.

The British feel they are really in the same fix as the U.S.—trying to operate a reserve currency while overloaded with international commitments and faced by the unfettered, competitive strength of West Germany, Italy, and Japan.

• **Role of Bonn**—You can't separate this week's U.S.-British talks from the U.S.-German exchanges that have been going on since former Treasury Secy. Robert B. Anderson and his successor, C. Douglas Dillon—then Under Secretary of State—went to Bonn last fall.

At that time, and ever since, U.S. officials have been trying to persuade the Adenauer government to launch a long-term aid program and assume a large part of the U.S. military costs in West Germany. Washington feels that Bonn's large reserves (over $7-billion) and persistent trade surplus put the Germans in a position where they could safely do these things.

But by now Washington has about given up hope of getting Bonn to play the role of a good creditor under the existing international monetary setup. It's not likely, either, that this view will be changed much by the conciliatory line German foreign minister Brentano is taking this week during a visit to Washington.

So the Administration is looking for other ways to prevent West Germany's reserves from going on up this year, along with those of Italy and Japan. For if they did, foreign holdings of dollars would rise—increasing the claims on U.S. gold stocks—and financial resources that are needed to support the expansion of trade and of economic aid to the under-developed countries would be more or less sterilized.

• **IMF Problems**—In any discussion this week about the IMF, and in others that are sure to follow, two big questions inevitably come up. In the broadest sort of terms, they are:

• Can the U.S. and Britain, the two nations with by far the largest drawing rights in the IMF, both count on using its resources at about the same time, if this should become necessary? In theory, at least, the demand would be more than the Fund could handle under its present setup.

• Should the IMF be modified so that it could act as a mechanism for attracting resources from surplus nations such as West Germany, thus setting a limit to their dollar holdings and their claim on U.S. gold. Economic consultant Edward M. Bernstein has proposed a scheme that is designed to do this without turning the IMF into an international central bank, as Robert Triffin of Yale has proposed (BW—Dec. 17'60,p27). Top U.S. and British officials agree that Triffin's broader and more radical scheme is out of the question for now.

Under Bernstein's scheme, the IMF would make arrangements with all nations that are large holders of gold and foreign exchange reserves whereby these countries would agree to lend the Fund, at its request, stated amounts of their own currencies. In return, the lending members would receive a gold-guaranteed, interest-bearing fund certificate, with a maturity of four years. The IMF would call on a member to take up all or part of its agreed subscription to these notes whenever another member—say, the U.S.—needed that currency to meet a major outflow of short-term money.

• **Subsidiary**—Bernstein proposes that these transactions be conducted through a subsidiary institution (he calls it the Reserve Settlement Account) and that the transactions should be handled outside the quotas of the Fund. In this way, it would be possible to avoid a drain on the present resources of the IMF.

Of course, it will take time to get agreement on any change in the IMF, whether along the lines of Bernstein's proposal or not. At best, it could not be put through until next September, when the Fund and the World Bank hold their annual meetings.

Meanwhile, Washington and London are trying to work out ways to mesh their respective monetary policies to the point where there is no further threat to the dollar, or a new one to the pound, from massive movements of short-term capital.

Here's how the scheme might be worked out:

The British government soon will need to stimulate the sluggish British economy and might well prefer to do this by keeping interest rates up while cutting taxes and increasing the budget deficit. However, it would suit the U.S. best if London were to give the British economy a shot in the arm by lowering interest rates and reducing the rate differential between London and New York.

To get the British to take the second course, the U.S. might agree not to make any effort to draw funds back to the U.S. in a rush, say, by offering special high interest rates on private foreign capital from abroad. Under Kennedy's balance-of-payments program, a special interest rate already has been granted on dollar holdings of foreign central banks.

AMC Courts Willys' Jeep

● **And Willys' parent, Kaiser Industries Corp., woos right back, for a merger looks mutually beneficial.**

● **American Motors has made its fortune, but its Ramblers are entering a rough road and its appliances are dragging. It needs another line, and foreign markets.**

● **Willys stays successful with its Jeep, especially overseas. But it needs domestic dealer strength, and money and management people for expansion.**

Perhaps the only motor vehicle better known throughout the world than the Volkswagen is the Jeep.

The stubby, no-nonsense descendant of the most famous vehicle of World War II is produced in 22 countries outside the U. S., has been used as a campaign car by a Presidential candidate in Turkey, has a city in Brazil named for its home town, and in Argentina hides its utility under a high-fashion Alfa Romeo skin.

Its adaptability to many ways of life has made its manufacturer, Willys Motors, Inc., one of this country's leading exporters. Willys ships abroad twice as many vehicles as it sells at home. And this worldwide manufacturing and distribution system is the biggest bait that Willys' parent, Kaiser Industries Corp., has been dangling under the nose of American Motors Corp., which scents a clear path to world markets.

It is still being kept very quiet, but for some weeks now top managements of the two companies have been exploring the possibility of a merger.

• **Complementary**—American Motors has gone from rags to riches in a scant three years, but it has no truck line and only an embryonic foreign distribution network. It has a crackerjack domestic dealer force, good earnings prospects, practically no debt, and a strong credit rating.

Kaiser has steel and aluminum mills. It has Willys, for several years a steadily increasing but still small earner $10.6-million in 1959. For years Willys has been jostling giants in the most competitive part of the commercial vehicle market with an outnumbered dealer force—but with the Jeep, the nonesuch of the U. S. motor world.

No owner of a Newport mansion ever had a better reason for bartering a bride with a horny-handed contractor who has made it big.

• **How Much Dowry**—Last week the size of the dowry still was in dispute. Kaiser, which had started out asking $150-million for Willys, was down to $110-million. American Motors was offering $85-million. Brokers, who have done very well indeed in AMC stock, were on the sidelines muttering encouragement.

Last Friday, negotiations seemed to have broken down. But the deal makes so much sense for both Kaiser and American Motors that non-participants feel certain that, once the two sides get talking in earnest, they won't be able to stop.

I. What to Do Now?

AMC and Willys have been following parallel paths for nearly seven years. Kaiser Motors Corp., headed by Edgar F. Kaiser, moved to Toledo and began assimilating, or being assimilated by, Willys Motors in 1954. That same year, American Motors was formed by the merger of Nash-Kelvinator Corp. and Hudson Motor Car Co.

In Toledo, Edgar Kaiser began the task of shrinking a big, multi-line car company down to building one line of specialized vehicles not competitive with anything made by the Big Three. In Detroit, George Romney began doing the same thing for AMC

Both succeeded. But both companies have come to a fork in the road.

• **Appliance Drag**—Up to now, Romney has not been able to apply his magic Rambler touch to Kelvinator. In the fiscal year ended Sept. 30, AMC had sales of $1,057,716,447 and netted $48,243,361. But, with what sounds like suppressed exasperation, the annual report states: "Renewal of competitive price-cutting . . . depressed the Appliance Division's operating results. It became necessary for Kelvinator to sell certain models below cost."

Romney has long talked about pulling Kelvinator up to Rambler stature with the same methods he used in the car business: evangelical selling or unchanging design and quality. But it is taking longer than he had hoped.

• **Rambler, Too**—Meanwhile, whether because of too much competition or a general falling-off in auto sales, Rambler for the first time in three years is getting its lumps.

January sales ran behind December's, breaking a two-year skein of higher sales each successive month. No rebate in bonds for higher sales was paid in January—and AMC pushed the December total to the rebate point only by delivering a couple of thousand fleet orders in the final 10 days. Last week AMC cut the wholesale price of its smallest domestic model, the American.

• **Where to Grow?**—Clearly, if AMC wants to continue to grow, it can't depend on the Rambler alone. It might go into trucks. Yet, that market is crowded, with Willys competing against Chevrolet, Ford, International Harvester, GMC Truck & Coach, Dodge, and others in the light truck field. None of them has a Jeep, though. AMC has 3,000 U. S. dealers whose financial and marketing soundness has passed the test of a battle for survival. They are in full cry for more business.

Overseas is the greatest potential field for AMC expansion, as Romney has realized for several years. His company hired one of Willys' top foreign hands a few years ago, and it has made some progress toward opening foreign markets. AMC has assembly plants in Malta, Australia, South Africa, and Mexico, with 186 foreign distributors.

Romney realizes as well as anyone that the most important market overseas for some years will be for commercial vehicles and specifically for four-wheel-drive vehicles, the Willys specialty. The "developing" countries are going to have to develop on motorized transportation over rough terrain. In considering this market, Romney could not find a better man to talk to than Edgar Kaiser.

II. Think-Alikes

For three months now, George Romney has been stumping the U. S. for his new creed: Let's be partners in, not owners of, industry overseas. He has been blasting away at the full ownership of foreign operations by General Motors Corp. and Ford Motor Co.—while AMC owns all of Kelvinator, Ltd. (England) and American Motors (Canada) Ltd.—and has been decrying "economic imperialism" as a seedbed of nationalism and expropriation.

Edgar Kaiser hasn't made it a crusade, but he has the same beliefs. Willys Motors has 11 manufacturing plants abroad, 11 assembly plants, and 250 retail outlets. All the plants are jointly owned with local interests, with

Kaiser Industries being a minority shareholder.

• **Strong Principles**—This joint-ownership philosophy is important for the reason that both Kaiser and Romney are strongly principled men. Romney says he wouldn't buy wholly owned foreign subsidiaries, and Kaiser, who is enormously proud of having helped build industry in other lands, says he wouldn't sell to anyone who wouldn't be content with minority ownership in overseas companies.

Similarly, at home, Edgar Kaiser stubbornly poured money into Willys six years ago because he had promised the unions and the people of Toledo that he would not close the Willys plant. He is getting Romney's assurance that this pledge would be respected—he wouldn't consider a sale under any other conditions. Romney, in recent speeches, has committed himself to a policy of not abondoning plants because of difficult local conditions, unless it would be economic disaster to keep them open.

• **Willys' Assets**—What Willys had to offer AMC is a complex of very old, but still efficient, multi-story plants totaling about 5-million sq. ft. In these, 6,000 employees make complete vehicles—from engine forgings to bodies and assembly. The Willys line consists of 10 basic models of both two- and four-wheel-drive vehicles up to 9,000-lb. gross vehicle weight.

In the 6,000-lb. and less class, Willys in 1959 had 2.36% of the market; it took 6% of sales in the 6,000-lb. to 9,000-lb. class. In that year it registered 31,600 vehicles; in 1960, more than 35,000. Yet production was counted at nearly 115,000 vehicles in 1959 and 122,000 in 1960.

Exports, of course, make up the difference, although some "vehicles" listed as having been exported actually were parts of vehicles that were largely assembled abroad.

• **Dealer Problem**—The Kaiser problem has been that Willys' major market seems to be abroad, yet the company is based in the U. S., where sales have grown slowly. About 900 of the 1,425 Willys dealers also handle other lines—some, the larger-volume passenger cars; some, farm equipment, and for a third big group, heavy trucks.

With 1960 sales averaging only about 25 vehicles per dealer, Willys can't expect to continue to hold the attention of good dealers unless it can stimulate greater market interest. It can't do that without lavish expenditure of money and executive effort. Kaiser's operations are so diverse and so far-flung that the company can always make good use of cash and executives.

A sale to American Motors gets Kaiser out of that box—and between $85-million and $110-million besides.

Stress on the Welfare State

Kennedy's vigorous moves on help for the aged and the unemployed—plus aid to education—contrast with his relatively modest economic-fiscal plans.

Pres. Kennedy is hitting Congress with a flow of requests that spell out a welfare program for helping the aged, helping the unemployed, building schools, and granting scholarships to needy students. His entire administration program is shaping up as being generous on the welfare-education side while modest on the economic-fiscal side.

The program fits the picture he is trying to paint of a nation falling behind in meeting its national needs. Speaker Sam Rayburn emerged from a conference with the President this week to pronounce the economic situation "the most urgent since the Great Depression" of the early 30s. Labor Secy. Arthur Goldberg toured five hard-hit industrial states and reported economic conditions "as bad or worse" than he expected.

• **Congressional Brakes**—The biggest obstacle Kennedy faces is the rather widespread conviction in Congress that things are not quite so bleak as the President pictures them.

Disturbed by the sharp reactions his programs for medical aid and education have stirred among Republicans and Southern Democrats in Congress, the President has slowed down his barrage of messages. He had intended to ask Congress this week for a sizable program of aid for school construction, teachers' salaries, and federal scholarships. But legislative leaders put on the brakes; the message is being delayed while Administration officials work out some of the details with key congressmen in advance—and possibly trim down the cost.

"The White House has been shoveling this stuff out too fast," says one Congressional leader. A key senator on the medical aid bill, Sen. Pat McNamara (D-Mich.) complains that he was scarcely consulted about details although he has led the Senate push for aid to the aged. Now the Administration is taking time to make amends.

• **On the Agenda**—Kennedy has sent Congress detailed requests for legislation on unemployment compensation, minimum wages, broader Social Security benefits, and medical care for the aged.

Next will come an education program, followed by messages on housing, water resource development, agriculture, defense, foreign aid, taxation, and the budget—not necessarily in that order.

Taken all together, Administration leaders estimate unofficially that these programs will add up to about $3.5-billion worth of spending beyond what former Pres. Eisenhower requested in his last budget. More than $1-billion of that will be increased defense spending.

How far this will put the government into the red depends, of course, on how much revenues pick up. Officials are running new revenue estimates now that will be made public about the first of March in the President's budget message.

Preliminary estimates are that deficits of $1-billion for the current fiscal year and $2-billion for fiscal 1962 are likely. If the business upturn hoped for later this year fails to materialize, deficits will be bigger than that.

• **Aid for Schools**—The Administration is preparing, subject to last-minute revisions, a school bill along these lines: a five-year schedule of federal grants to elementary and secondary schools totaling about $660-million the first year and rising to $1.6-billion the fourth and fifth years—an average of about $1-billion a year. States would have the option of spending it for construction or for teachers' salaries. Money would be allocated on a formula favoring the poorer states and the biggest cities. In addition, the program would include a sizable program of 25,000 to 50,000 scholarships averaging $700 each. Present federal grants and loans to colleges for construction would also be increased.

• **Welfare Measures**—In the Social Security and medical program, the President is asking for two separate measures: One lowers the retirement age for men to 62 and increases widows' benefits; the other provides medical care for 14.2-million persons over 65—financed by Social Security.

The medical program, similar to one rejected by Congress last year, will cause a particularly bitter fight partly because of its estimated cost of $1.1-billion the first year. Social Security taxes already are scheduled to go up from the present 3% each for employer and employee to 4½% by 1969, when costs begin to peak out under the trust fund arrangement.

The two Social Security programs proposed by Kennedy would raise the tax to 5% each by 1969—or 10% of payroll. An employee earning $5,000 (the maximum proposed tax base) would pay $250 a year.

Russians Get Big Jump in Space

Venus shot shows Soviets have highly sophisticated guidance and controls; added to rocket-boosting capacity, it puts them in line to start broad space exploration.

From a scientific standpoint, the Soviet space shot toward Venus this week clearly demonstrates an accuracy of guidance and control that, combined with the the possession of large rocket-boosting capacity, now gives Russia all the key elements needed for space exploration.

From a propaganda standpoint, the Soviets have, with this single shot, turned back the propaganda clock to Oct. 4, 1957—the day on which they first sent a Sputnik orbiting around the earth, and thereby established the Soviet Union's hold on first place in the space race. Today, around the world, the U.S. once again is viewed as lagging behind the Russians—at best by two years.

• **Piggyback Launching**—The official Tass announcement of the Soviet Venus shot was, at one and the same time, matter-of-fact and vague. It said that the Venus probe was carried aloft into earth orbit "piggyback" by an improved multi-stage rocket—presumably an advanced version of the much-heralded intercontinental ballistic missile, the T-3. Advanced versions of this rocket engine are said to produce up to 1-million lb. of thrust—something around three times as much thrust as that of the U.S. Atlas or Titan rockets.

The space probe circled the earth several times on the back of its launching rocket, so that Soviet scientists could determine its precise position relative to the planet Venus. Then it was fired by radio signal into a new trajectory that, Soviet scientists believe, will bring it into the vicinity of Venus sometime during the latter half of May.

• **Russians' Aims**—The Russians state that their main objectives in this particular space probe are to:

• Check methods of injecting a space body into an interplanetary trajectory.

• Test radio communications and guidance systems over great distances.

• Make exact measurements of key elements in the solar system.

• Run a number of physical tests on conditions in outer space.

There is equipment on board the Venus probe to make a running record of how much cosmic radiation it encounters on its journey. There are instruments to record the effect of the various magnetic fields it will pass through. There are devices to investigate interplanetary matter and any micrometeorites it will meet.

And, most importantly, from the standpoint of future space experimentation, there is a system for measuring the parameters of the space probe's movement, relative to the movement of the earth. This information, supplied on a regular basis over the next three months, should prove or disprove the accuracy of the so-called astronomical unit (or mean distance between the earth and the sun) by which man calculates all outer space distances in his solar system. The accuracy of this constant will be of prime importance in planning all future interplanetary explorations.

• **Chances of Success**—So far, it appears that the Russians have a good chance of success in all their aims. All equipment aboard the "interplanetary station" is reported to be functioning normally. The probe is moving along very close to its prescribed course; its radio (solar-powered) is reporting on command; and temperatures inside the station itself continue well within reasonable operating limits.

Whether the probe actually hits or misses Venus is, therefore, of little consequence. Long before it comes to the end of its three-month journey, the Soviet Venus probe will have accomplished most, or all, of its purposes.

• **Best Way Into Space**—What this indicates, besides a previously unproved sophistication of Russian guidance and control systems development, is that space exploration is now well within man's grasp.



PRAVDA marks success of Russians' Venus shot with an all-out front page splurge.

For one thing, the Russians have shown that the "parking orbit" technique of firing space probes is, indeed, the best way to launch an interplanetary trajector. By using an orbiting platform for firing, scientists obtain a virtually unlimited number of positions from which to fire. They aren't limited, as they are when they fire from the ground, by the position in space of a particular launching pad at a particular time.

• **Better Speed Calculation**—Moreover, far greater accuracy is possible in planning a space probe's proper flight velocity when it's fired from an orbiting platform rather than as the final stage of an earth-fired rocket. Scientists try to predict, in advance, at what speed an upper-stage rocket will be moving at burnout, so that they can plan a space probe's course accordingly. But there are a number of unpredictable factors (such as wind velocity and direction, and rate of fuel combustion) that make this figure, at best, a calculated guess.

If a space probe is fired from an earth-satellite, however, its speed at the moment it finally is hurled into trajectory immediately becomes a known factor in the equation. For "soft" landings of instrumented or manned space ships on the moon or any of the planets close to the earth, such knowledge is of even greater potential importance than it is in the current Venus firing.

• **Simpler Course**—There's still a third advantage in being able to fire from an earth-satellite rather than from the earth: It greatly simplifies the flight plan for any given space shot. When they fire from a given position on the earth's surface, scientists are forced to compensate for the fact that they can rarely (if ever) get their target into the plane of the proper solar orbit; they have to compensate by plotting a "dogleg" into the probe's course. Though they can do this, it makes a difficult navigation problem out of an essentially easy one. And, even more importantly, it seriously limits the number of days during the year when any probe can be fired with a reasonably good hope of success.

By comparison, it's a relatively simple matter to determine the moment at which a target will be in the plane of the proper solar orbit from a satellite. At that position, on its next pass around the earth, the space probe can be launched easily into a trajectory that will intercept the orbit of the target—in this case, Venus.

• **What Next?**—In last Sunday's Venus firing, the Soviets have not an-

Where was the Bell Telephone System

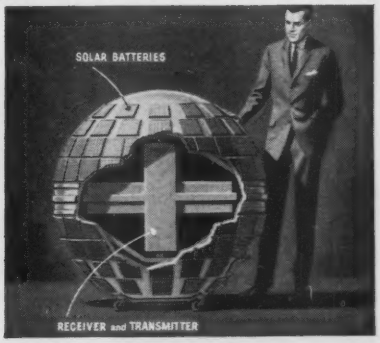
ON FRIDAY, AUGUST 12, 1960?



It was handling some 210,000,000 local and long distance conversations, plus about 5000 overseas calls.



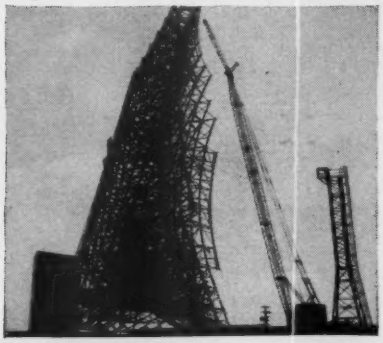
It was guiding Echo I into near-perfect orbit so Bell System scientists could make the world's first telephone call via satellite.



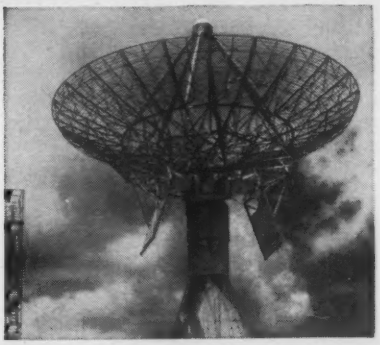
It was developing a world-wide communications system using satellites powered by the Solar Battery, a Bell System invention.



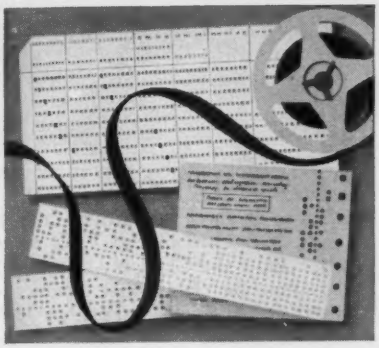
It was offering Bellboy personal signaling to more and more people. Device uses tiny Transistors, another Bell System invention.



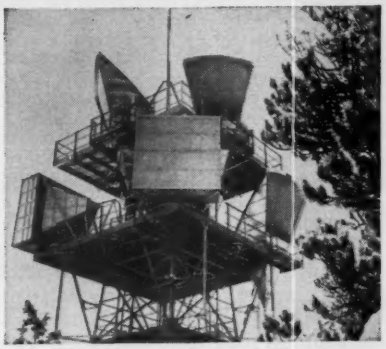
It was building fast, reliable communications for BMEWS—the nation's Ballistic Missile Early Warning System.



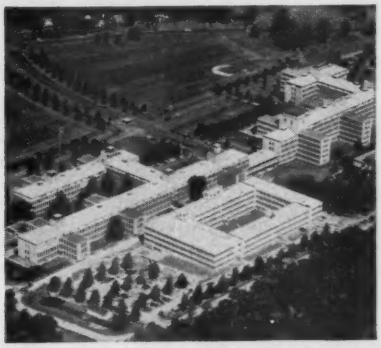
It was constructing a 'round-the-world communications system for America's first man (or woman) into orbit.



It was providing circuits for the speedy transmission of mountains of data for business and government.



It was providing thousands of miles of high-quality circuits for the country's local and network television programs.



And it was delving into innumerable fields of scientific inquiry at the largest industrial laboratories in the world.

It was at the scene of every major communications activity that day, as it is every day.

And for them all—communications on the ground, under the oceans, through the air, around the world—Bell Telephone people "wrote the book that everybody else uses."

How come? Because it's our job to be expert in universal communications.

You have a right to the best service in the world. *And you get it!*

BELL TELEPHONE SYSTEM *Pioneering in outer space to improve communications on earth*

nounced how many passes the satellite had made around the earth when they pushed the button, and commanded the satellite to release and fire its "piggyback" package to a point in space where it should rendezvous with Venus three months hence. They have said that they deliberately fired the probe-carrying satellite in a direction roughly opposite to that of the earth's rotation.

In view of the fact that the planetary station itself weighed 1,415 lb., this again appears to indicate that, if they choose to do so, the Russians are ready to start space exploration immediately on a broad scale.

Soviet scientists, while obviously exuberant over their most recent rocket-space success, are not claiming that the Venus firing means that Russian manned space flight is imminent. L. I. Sedov, president of the International Astronautic Federation, in an interview with U. S. reporters, was quite specific on this point. Both the Feb. 4 and Feb. 12 multi-ton satellite launching—according to Sedov—were part of a long-range Soviet plan to develop the two main requirements of space exploration—rocket power and reliability of control and guidance systems.

That the Russians have been able to move ahead in their program, Sedov admits, is due in large measure to the fact that they have deliberately deemphasized the development of rocket instrumentation in favor of concentrating on developing ways and means to boost and control big payloads into orbit.

• **Series of Firsts**—For three and a half years now, there has been no question about the superior thrust capability of Russian rockets as compared to U. S. rockets (BW—Oct,19[illegible]7,p66). This superiority is what has made it possible for the Russians to star their space program for big splashy firsts.

They were the first to put a satellite into orbit; the first to photograph the back side of the moon and to hit it with a shot; the first to put a satellite into orbit around the sun; the first to put a dog into orbit; and, later the first to put a pair of dogs into orbit and return them to earth.

These are all notable scientific achievements and they have, very effectively, kept the Soviets riding in first place in space experiments—in terms of propaganda.

• **Where U. S. Stands**—The lack of a big booster, for space work, has limited the U. S. in its space exploration program. When the first of the big second generation multimillion-pound thrust rockets—Saturn and Nova (BW—Feb.20'60,p59)—become available, there is every reason to hope that the U. S. will be in position to revise its space schedule and plan in terms of a much broader space exploration program.

There is, also, no reason to question the capability of U. S. space experts in the light of the most recent Soviet space triumph. American space scientists have, in the opinion of most experts, made the most that could reasonably be expected out of their limited payload capacity.

What's really disturbing some observers is that there's now more than a slim chance that before the slipping U. S. space program goes into high gear, the Soviets will have gained a notable scientific as well as engineering lead in space. They will simply know more about conditions in space.

Such a gap might be difficult to close. And, over the long term, it could have very serious military as well as political consequences.

FTC Challenges Cement Maker

Federal Trade Commission charges that American-Marietta's acquisition program violates antitrust laws, asks that company be ordered to divest itself of 44 affiliates.

The Federal Trade Commission is launching a new attack on an old adversary—the cement industry. The commission last week charged that a series of acquisitions by American-Marietta Co.—each of them relatively small but spread widely across the country—violated the antitrust laws by reducing competition in what it believes is an already concentrated industry.

The complaint against American-Marietta's mergers recalls FTC's successful attack in the late 1940s on the cement industry's basing point system of pricing.

In its complaint against American-Marietta, FTC charges that the series of acquisitions tends to monopolize sale and production of concrete pipe, cement, construction aggregates, and lime. The commission asked that American-Marietta be ordered to divest itself of 33 concrete pipe makers, four cement companies, six producers of aggregates, and one lime company—most of which were acquired since 1956.

At the company's Chicago headquarters, Pres. Robert E. Pflaumer asserted: "None of American-Marietta's acquisitions has had the effect of substantially lessening competition or creating a monopoly in any part of the country and we are prepared to prove it."

• **Growth Problem**—American-Marietta is big in the construction materials business, but this business still accounts for a lot less than 50% of its sales. The rest comes from paints, inks, chemicals, industrial adhesives and finishes, and household supplies.

Its rapid growth in the last 10 years, which prompted the FTC complaint, is the result of a deliberate decision made in 1948 by A-M's Chmn. Grover Hermann. Construction, he decided then, was bound to be a huge postwar industry and any company supplying the materials that would be needed would get rich quickly (BW—Dec.13'58,p45).

But, as Hermann saw it, a controlling factor in the construction materials business is geography: You can't economically ship cement more than 150 to 200 miles from plant to construction site, and the limit on concrete pipe is even less—25 miles to 50 miles at the most. So American-Marietta set out to spread itself over as much as possible of the U. S. It has kept buying, mostly through exchange-of-stock deals, small cement, lime, and concrete pipe plants, and has welded them into an operation under close financial control.

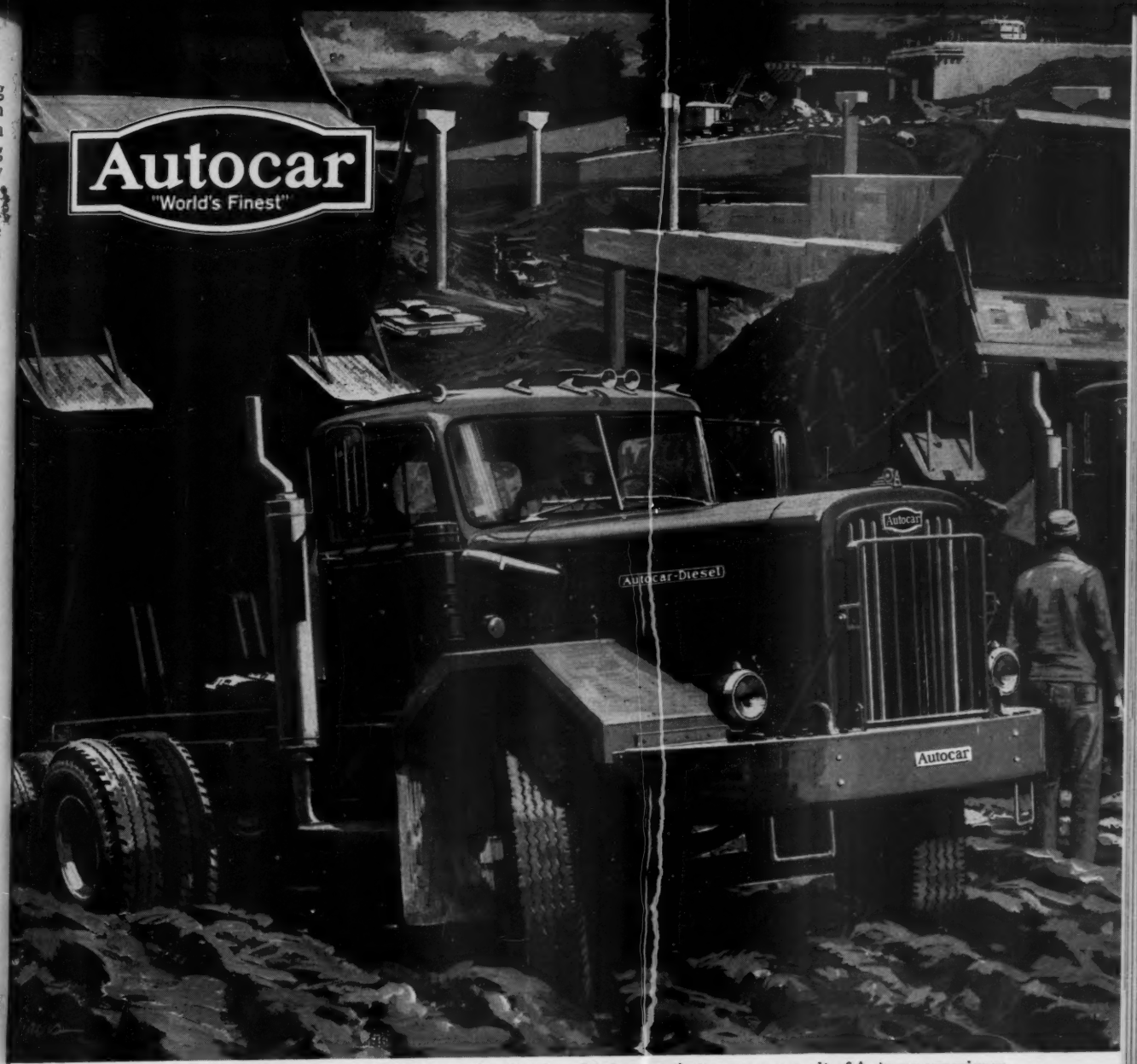
Most of the companies it has bought have been small, one-man or family controlled businesses, which accounts for the 44 different acquisitions listed in FTC's complaint—and for the fact that FTC's approach is that although each acquisition wouldn't harm competition, they do collectively concentrate economic power in the hands of a single company.

• **Two Laws Involved**—The commission's charges against American-Marietta are broad ones under both the Clayton Antitrust Act and the Federal Trade Commission Act. They not only allege that the acquisitions tend to reduce competition, but also that the transactions tend to put pressure on other makers of concrete pipe to acquire integrated facilities.

Charges against American-Marietta are split two ways in the FTC complaint. Under the Clayton Act charges, the commission claims that American-Marietta's acquisitions since 1953 have tended to reduce competition in various sections of the nation in production and sale of concrete pipe, cement, construction aggregates, and lime.

Under Section 5 of the FTC Act, the commission contends that American-Marietta's "constant and systematic elimination of actual and potential competitors" represent a violation of the bans on unfair methods of competition in this statute.

Although FTC has used this interpretation of the FTC Act previously, the full commission has never ruled on it, and it has not been tested in the courts.



PASTOR TRUCKING COMPANY, Baltimore, has just bought six more Autocars as a result of Autocar experience on the new Baltimore-to-Harrisburg Expressway. "Autocar—nothing less," says Mr. Impaciatore, president.

This job is Autocar size... don't think of less

For certain jobs you either have Autocars or wish you had. Nothing less answers.

Take building an expressway like Maryland's new Jones-Falls. There's a job that really tests a truck's character. Loads are terrific. Grades are steep and there's constant shifting. The mud can even be axle deep, but to the Autocar this is still a non-stop operation. Such performance is the direct result of the custom engineering and quality in which Autocar is unsurpassed.

When you have Autocar-size jobs, there's no substitute for the "World's Finest." It's profitable to have Autocars on road construction projects. Why be sorry you don't? WHITE-Autocar comprehensive service throughout the United States.

Autocar
"World's Finest"

Division of
The White Motor Company
Exton, Pa.

In Business

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IRS Urges Early Tax Filing So Refunds Can Speed Their $4-Billion Pump-Priming

About $4-billion in federal refunds on 1960 payments await some 35-million taxpayers, and new Internal Revenue Commissioner Mortimer Caplin urges early filing as an anti-recession measure. Pres. Kennedy promised at his press conference this week that the government would try to expedite payment of the refunds.

Caplin warned that late filers may get caught in the "tidal wave" and experience long delays in obtaining their refunds. "We want very much to pay out these refunds as rapidly as possible to help stimulate the nation's economy during this period of economic slack," Caplin declared. "But we need the taxpayers' cooperation to do so."

The $4-billion in refunds exceed all of the pump-priming recommendations made so far by Pres. Kennedy.

IRS says its estimates are based on the previous year's experience. The Budget Bureau, in last September's revised budget estimates for fiscal 1961, estimated individual tax collections would remain unchanged from the 1960 figure, although revenues from corporate taxes would decline some $2-billion.

Another $258.5-million—in accelerated dividend payments to holders of National Service Life Insurance—is expected to be paid out by mid-April. Checks already are being issued in accordance with a speedup ordered by Pres. Kennedy as an anti-recession pump-priming move. The Veterans Administration has targeted complete distribution by Apr. 14, instead of over the course of the entire year.

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Cuts in Atlantic Air Cargo Rates Expected Soon as Carrier Parley Fails

Air cargo rates across the North Atlantic will probably be sharply reduced this April. A meeting of the International Air Transport Assn. in Paris broke up without an agreement being reached. And under the group's rules each airline will be free to set its own rates providing no agreement is reached before the current rates expire.

Pan American World Airways, Trans World Airlines, and Seaboard & Western Airlines, the three American carriers who fly cargo on the route, have all announced their intention of publishing new tariffs generally calling for volume discounts although specific proposed reductions differ.

There is a possibility that a few European governments, which must now approve these rates, may withhold landing rights to protect their own carriers, but this is considered unlikely.

News was also made this week in the domestic air cargo industry. **A Civil Aeronautics Board examiner recommended that the nation's four domestic scheduled air freight carriers be reduced to two,** and that one of these, Riddle Airlines, be granted a $2-million subsidy to fly a North-South route. Flying Tiger Line would be given a subsidy-free East-West route. Authority for the other two all-cargo carriers, Slick Airways and AAXIGO Airlines, would be withdrawn.

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California Gets First Application For Test of Anti-Smog Auto Muffler

The first formal application for a California state test of an anti-smog device for automobiles has been filed by Universal Oil Products Co., of Des Plaines, Ill. The testing program is expected to result in certification of at least two exhaust devices around the end of this year. Los Angeles County air pollution controllers hope that approved devices will be mandatory on all cars starting with 1963 models.

Universal's device is a catalytic muffler designed to reduce hydrocarbons and carbon monoxide in auto exhaust fumes to the level set by law (BW—Apr.9'60,p32). The company says its "Purzuast" muffler will be priced about $50 above standard mufflers. On most cars, it will take up no more space than standard types. With average mileage, the Purzuast would have to be replaced every two years.

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Kennedy Chooses Head of Antitrust Division

Pres. Kennedy at midweek decided to pick **Lee Loevinger, currently a member of the Minnesota Supreme Court, as Assistant Attorney General in charge of the Antitrust Div.**

Loevinger worked in the Antitrust Div. from 1941 to 1946, with time out for Navy duty, and has written extensively on antitrust law—both books and in periodicals.

He was appointed to the Minnesota court by Secy. of Agriculture Orville L. Freeman when Freeman was governor of the state, and was a member of the same law firm as Freeman before accepting his post on the court. The new Antitrust chief, who will take the position vacated by Robert A. Bicks, has testified numerous times before Congressional committees, particularly on small business matters in relation to antitrust.

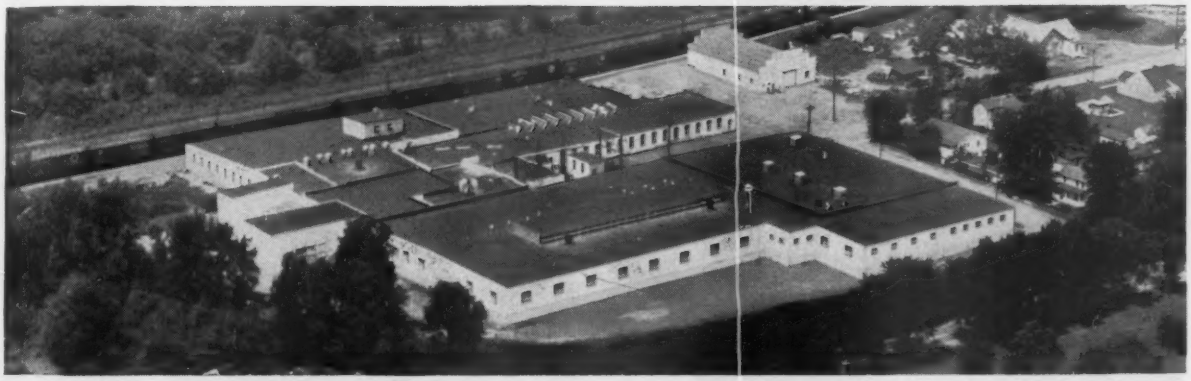
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New Haven RR Gets New Transfusion

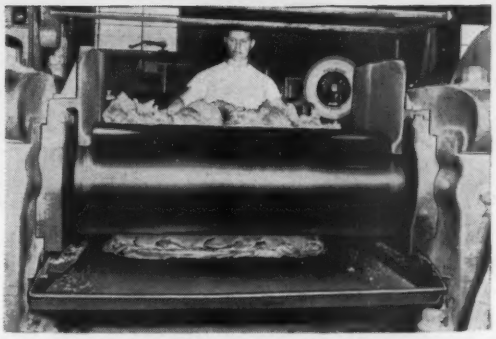
Once again the New York, New Haven & Hartford RR has squeaked through its immediate trouble. It had asked for a loan guarantee from the Interstate Commerce Commission for $5-million, saying it needed a substantial part of the money by Feb. 15 to meet payroll and other expenses. On Feb. 15, the commission guaranteed $3.5-million.

The latest loan brings the total to $11.5-million that the road has had guaranteed under the hardship provisions of the Transportation Act of 1958.

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Local labor mans the plant and, according to management, is quick to learn. Buena Vista is located in beautiful Shenandoah Valley near Lexington, historic college town. Recreational facilities are excellent, climate is mild.

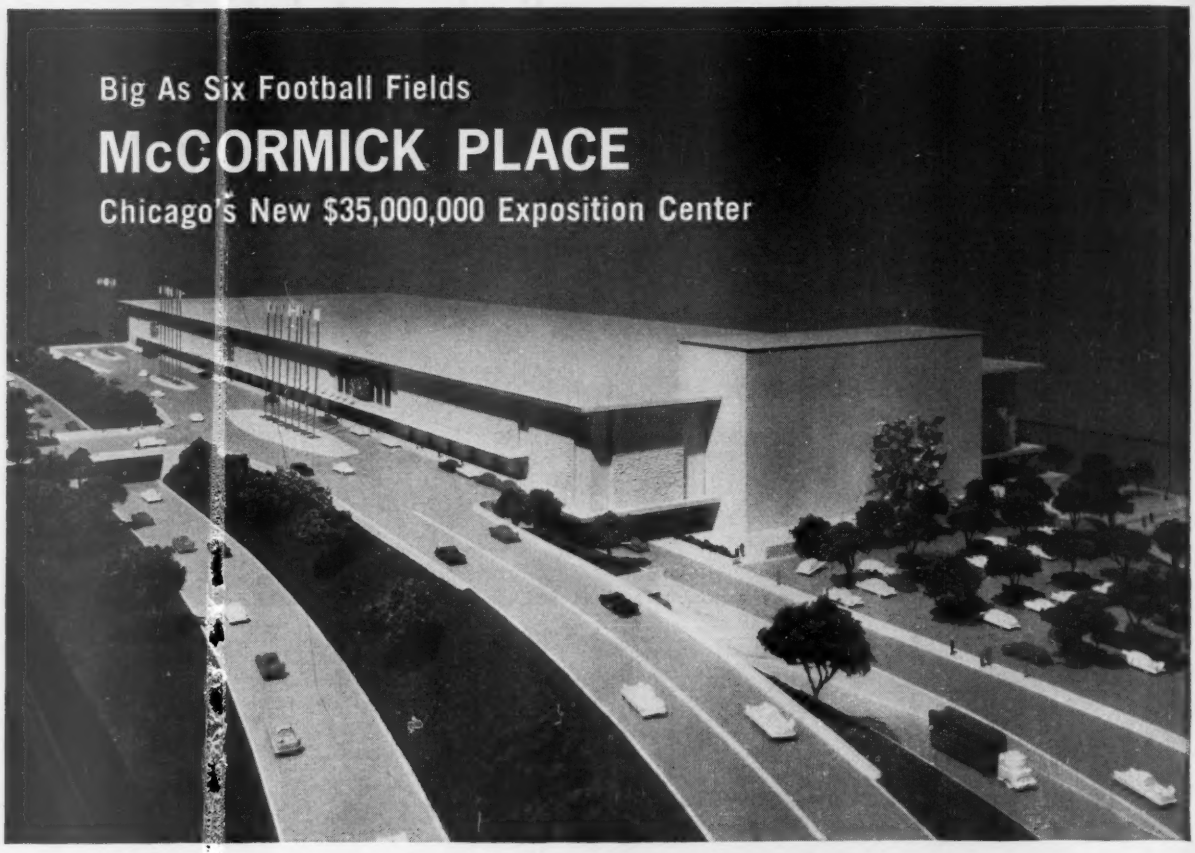
When Reeves Brothers, Inc. decided to move its Vulcan Division to a more advantageous location, they chose Buena Vista, Virginia. Records of the Virginia plant prove the wisdom of this choice. Over a period of 7 years, training time for local unskilled employees has been reduced from 6 months to about 4 weeks. These quick-to-learn Virginians keep production efficiency high, customer complaints low . . . and the plant has operated since May, 1956, without a single disabling injury. A record of over 3,000,000 safe man-hours was compiled and the plant has won the National Safety Council Award in its class for 4 consecutive years — a tribute to the skill and responsibility of its personnel.

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Virginia Dept. of Conservation and Economic Development
Room 810-BW State Office Bldg., Richmond 19, Va.
Phone: MIlton 4-4111, Ext. 2255

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General Contractor: GUST K. NEWBERG CONSTRUCTION CO. *Heating & Air Conditioning Contractor:* DELL CORPORATION.



JENKINS VALVES control lines in mammoth heating – air conditioning system

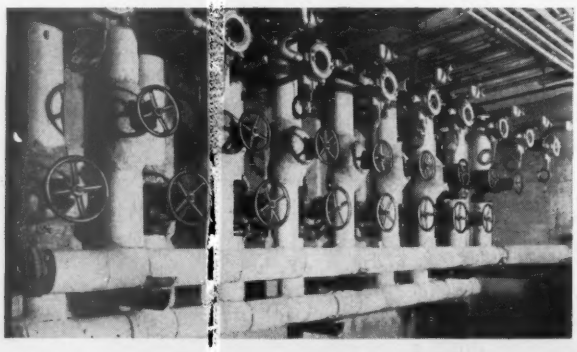
IT'S BIG, the main exhibit area is 320,000 square feet, almost free of pillars, with a 40-foot ceiling! The theater seats 5,000 people. Restaurant facilities can feed as many in an hour. Loading docks accommodate 50 trailers.

Volume-wise, this "first exposition hall designed specifically for the purpose" is almost as big as New York's Empire State Building . . . another famous architectural and engineering achievement equipped with Jenkins Valves. To air condition McCormick Place requires refrigeration capacity of 4,000 tons. To heat it, boiler capacity of 2,400 horsepower is needed.

A BIG JOB FOR VALVES is evident here. And, an opportunity to assure big savings with valves that ask for only minimum maintenance. The building experts responsible for McCormick Place called for Jenkins Valves to control the service lines in the mammoth complex of heating and air conditioning.

To keep your valve maintenance and replacement costs down, follow the lead of the experts. Specify *Jenkins* Valves. They *cost no more to buy* . . . and over the long, hard pull they cost considerably less. Jenkins Bros., 100 Park Avenue, New York 17.

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WASHINGTON OUTLOOK

WASHINGTON BUREAU
FEB. 18, 1961



Business recovery in the second quarter is still the key to Pres. Kennedy's anti-recession drive.

New warnings about the economy will come from the White House, but they are aimed chiefly at Congress. They do not mean the situation is getting any worse or that the prospects of an upturn in the April-June period have lessened.

Kennedy fights to get Congress off dead center.

A month after his inauguration, after a series of speeches and messages describing a state of crisis and national peril, Congress shows no sense of urgency. Kennedy aides fear the White House program will founder.

Party leaders and Cabinet members join the fight. This explains House Speaker Sam Rayburn's statement from the White House that the economic situation is the most urgent since the great depression. It also explains Labor Secy. Arthur J. Goldberg's headline-making swing through the Midwest to check on unemployment.

Congress virtually shut up shop this week to allow Republicans to make their annual Lincoln's Birthday speeches. Next, the Democrats will call a halt to pay their own tributes to Jefferson and Jackson. Work in March will be cut short by the Congressional tradition of the long Easter holiday.

Congress is really waiting to hear from the folks back home; members have been only half listening to Kennedy. During the speechmaking and the holidays, lawmakers will make their own readings of the economy and decide what the voters want. If members of Congress sense a rising demand for action against the recession, Kennedy will get most of what he's asking. If they don't, Kennedy doesn't stand much chance of stirring them up.

—•—

The impact of arms control on the economy will be assessed in a study due to be released in April by the Senate Foreign Relations Committee. All the big arms makers, plus about 150 selected small producers, are supplying the information. They're being asked what a total cutoff in defense work would mean to them, where they would look for new business in case of gradual reduction in arms contracts, and how important they think production of arms control and detection devices might be to them.

It's the most comprehensive study so far into arms control—which is replacing the concept of disarmament in the thinking of government planners.

Arms control assumes the continued production of weapons at some level agreed on with the Russians, with a largely new industry turning out detection devices at the same time to keep everybody honest. The total spent for arms plus detection devices might not be any lower than the $42-billion spent now for defense, at least for many years. But planners think the world would be safer from nuclear surprise attack under such a system.

Kennedy inherited a study showing that a 50% slash in defense spending would not necessarily reduce the federal budget. It was prepared by former Pres. Eisenhower's Budget Bureau. The report speculated that increasing outlays for detection devices, foreign aid, and civilian public works would absorb a $22-billion cut spread out over 10 years. The report is now being studied by Kennedy economists and arms thinkers.

WASHINGTON BUREAU
FEB. 18, 1961

The Soviet Venus shot (page 32) is a jolt to new budget makers.

Kennedy kept many of the space scientists who worked with Eisenhower. He's personally not much interested in space problems and has turned policy direction over to Vice-Pres. Johnson.

The advice of the scientists has been reassuring: This country is doing well with its small scientific satellites; with money and brains limited, there's little sense in trying to compete with the Russians in the more glamorous probes of deep space.

Johnson has been hoping for a go-slow period during which he would wipe out duplicate research efforts. The stress was going to be put on economy. Substantial spending increases for space were going to be postponed.

The Soviet success reopens old arguments about the potential military significance of space, especially the use of satellites to launch nuclear attacks against selected targets on earth.

An appraisal of the Venus shot is being made in the Pentagon as part of the over-all study of strategy and weapons ordered by Kennedy. Air Force thinkers will recommend that space efforts be speeded up and shifted toward military uses.

It means a fight for more money and a challenge to the civilians who up to now have set the tone in U. S. space efforts. And it throws Kennedy and Johnson deep into the same quandary that so often confronted Eisenhower: how to meet the propaganda and military successes of an opponent who can do things in space that we are not able to do.

—•—

A fresh look at the residual fuel oil import program has been ordered by Interior Secy. Stewart L. Udall, in effect blocking a change of policy ordered by Eisenhower as one of his last official acts.

Udall also reversed Eisenhower on power, issuing a strong pro-public-power memorandum as guidance for his department. He has put the Bureau of Reclamation engineering center at Denver on a 56-hour week, to speed up contract awards as an anti-recession move. Udall mixed personally in the fight over enlarging the House Rules Committee, freely admitted he used his office to try to get votes.

All this makes Udall one of the men to watch in the Administration—a Cabinet officer apparently of the type wanted by Kennedy, who will stir up controversy and then not back away from a fight. Udall and Labor Secy. Goldberg have come closest to filling this blueprint so far.

—•—

A new set of rules for the Business Advisory Council of the Commerce Dept. seems likely after the council holds its next meeting in Washington Mar. 15 and 16. BAC has been meeting since 1933 in closed sessions to give top-level businessmen and government officials a chance to exchange views. Rep. Emanuel Celler (D-N. Y.) and other critics have argued that this gives the businessmen involved unfair access to advance information about government policies.

Commerce Secy. Luther H. Hodges is uneasy about this himself and says so. He can open the meetings to the public if he wants to. But this would take away much of the appeal for business executives and might lead to dissolution of the council. Hodges doesn't want this to happen and is still seeking other ways to disarm the council's critics.

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Film of **TENITE POLYETHYLENE** gives bread the look, the feel, and the seal that mean greater sales and fewer returns

Fabricon Products, *division of Eagle-Picher Company, uses medium-density Tenite Polyethylene to produce a tough, high-gloss, transparent bread wrapper*

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To bakers, film of Tenite Polyethylene brings the double economy of lower wrapping costs and fewer returns of "stales." On the wrapping line, bakers find film of Tenite Polyethylene has the proper stiffness and slip needed for efficient use on high-speed packaging machines. At the heat-sealing end, closures are simplified by the material's broad heat tolerance.

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ECONOMICS

How Kennedy's CEA Sees Road to Growth

Economics is itself a contra-cyclical—some would say a manic-depressive—subject. In periods of prosperity, economics indeed becomes the dismal if not the boring science. But in periods of recession and unemployment, economics takes on an atmosphere of excitement.

The present, of course, is one of these latter times; and Pres. Kennedy's new Council of Economic Advisers (picture, right) comes on stage in a white glare of public attention. The spotlight focuses on its three members:

• Chmn. Walter W. Heller, 45, who comes to CEA from his professorship at the University of Minnesota and six years as tax adviser to Gov. Orville L. Freeman, Kennedy's new Secretary of Agriculture.

• Kermit Gordon, 44, a Williams College professor, who has been at the Ford Foundation directing its program in economic development and business administration.

• James Tobin, 42, a Yale professor, who has been director of the Cowles Foundation for Research in Economics—a center for the application of high-class mathematics to economic problems.

• **Direct Access**—"The," says Heller, "is not going to be a one-man operation. We'll be operating as a council." Heller likes to have the other two members with him when he leaves the Old State Dept. Building on Pennsylvania Avenue to cross to the White House—a journey he has been making several times a week. Heller considers his working relations with Pres. Kennedy intimate and direct.

When he took the job, he was assured that he would have this kind of direct access to the President, without having to go through intermediaries—and without another top economist in the White House itself reporting directly to the President, as Gabriel Hauge and Don Paarlberg did during the Eisenhower years.

Heller thinks these assurances are being faithfully kept. "From where we sit," he says, "I have had the feeling of wonderful acceptance across the street. It's what you visualized when you took the job."

• **Fighter**—Others close to the center of things agree that Heller and Kennedy have hit it off well, and that the CEA, in these early weeks of the new Administration, is playing a key role.

Men in other agencies find Heller a good infighter. "He's got plenty of sock," says one key man at the Treasury who has watched Heller operate—citing as an example Heller's fight for an increase in Social Security benefits as a counter-recession measure. Heller got the President to agree to ask Congress to make the rise in benefits effective on Apr. 1—but to delay the corresponding increase in Old Age and Survivor's Insurance contributions (¼ of 1% each for employers and employees) until Jan. 1, 1963. "Heller," says this Treasury man, "made that stick."

I. Revenues to Grow On

The play on the Social Security proposals is a good example of Heller's style in economic policymaking and in social values. A Ph.D. from the University of Wisconsin, Heller describes himself as a "Wisconsin institutionalist"—in the tradition of men like John R. Commons and E. E. Witte (BW—Nov.26'55,p92). "I have the old Wisconsin belief," he says, "in the importance of the public sector as a means of achieving welfare for the people." Heller says that he is still aiming to achieve the old welfare and full employment goals of the New Dealers—"and now we have added growth to it."

Heller thinks of himself—again in the Wisconsin tradition—as a non-doctrinaire pragmatist. At present, however, he takes the view that the public sector has been relatively neglected during the Eisenhower years, and he believes that the Kennedy Administration, during its first period, should put the emphasis on making up for that neglect.

• **Spending vs. Tax Cuts**—This means, Heller feels, that the new Administration should concentrate its efforts on stimulating economic growth by increasing the federal government's spending, instead of by cutting taxes.

Heller is willing to use tax reduction to stabilize the economy, however, if that becomes necessary. But at this point, he would make any tax cuts temporary—keeping them in force just during the period when the economy needs extra stimulation.

When the economy gets back closer to full employment levels, he would prefer to have the revenue flowing in, so as to produce big fat surpluses—partly for the sake of checking inflation, partly to provide the funds for strengthening government programs, either to build up national security or to carry out additional welfare aims.



Some economists, however, think the line that Kennedy's economic advisers are taking is pure ideology—a throwback to the New Deal philosophy of the 1930s that justified bigger and bigger spending programs as the answer to a stagnating capitalism—and an answer with plenty of political moxie for the party that did the spending. Heller's answer is that the national needs are there—and so is the opportunity of meeting them.

"We now have," says Heller, "a powerful enough revenue system to meet multiple objectives." When he told this to Kennedy during their brief meeting in Minnesota during the campaign, Heller adds, Kennedy was extremely ex-



NEW COUNCIL of Economic Advisers is headed by Walter W. Heller (center), Minnesota professor, with James Tobin (left), of Yale, and Kermit Gordon, of Williams College and Ford Foundation. Their growth prescription: more spending, not tax cuts.

cited. "He thinks it's great," says Heller, "that we have this big potential surplus."

• **Crucial**—This great revenue-producing power of the present U. S. tax system is crucial in Heller's thinking. As he sees it, this provides the Administration with its major opportunity—and its major problem. Here's why:

If the economy were now operating at full employment, the tax system would be generating enough revenues to produce a great budget surplus—of something like $10-billion. At "reasonable" full employment, Heller figures, gross national product would be running today at $540-billion. As it is, GNP is running at about $500-billion, with unemployment at more than 6%, and considerable plant capacity idle.

A $500-billion economy still generates tax revenues of about $80-billion—almost enough to balance the budget. At $540-billion, the amount of taxes generated would mount, Heller believes, above $90-billion. This would give the $10-billion surplus he figures, if federal spending remained at a level just a bit above $80-billion.

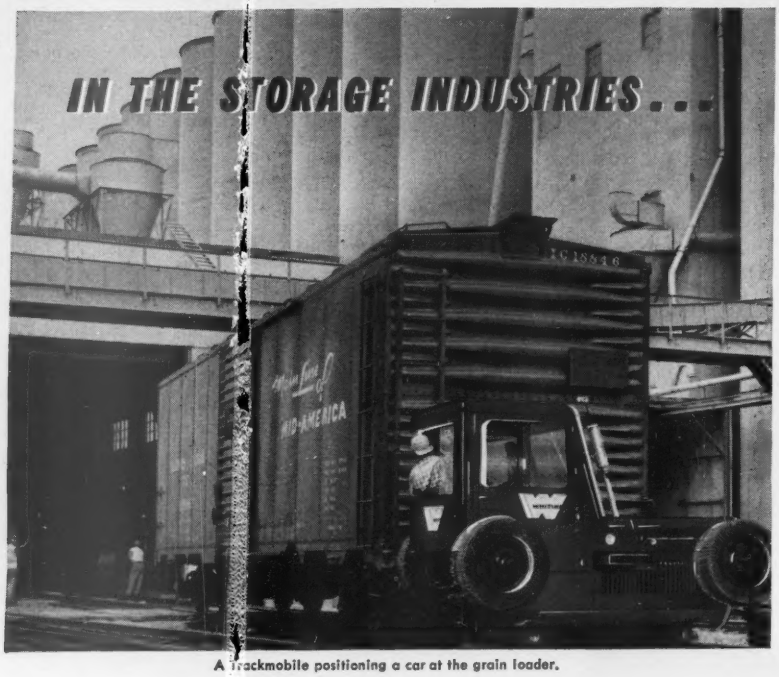
• **Deflationary Gap**—But this "surplus" is, after all, just "pie in the sky"—unless the economy can be made to operate at full employment, at $540-billion instead of $500-billion. And—here is the crucial point in Heller's view—the reason the economy doesn't hit and stay at a full employment level is that, in relation to present government spending totals, the tax bite is too great. Taxes cut so heavily into total demand that economic recovery loses its steam before it reaches full employment.

The potential surplus thus constitutes, says Heller, "a kind of deflationary gap"—that is, it is the amount by which total spending, both private and public, falls short of the level needed to bring the economy to full employment

It's this deflationary gap, Heller thinks, that makes recoveries anemic and causes them to peter out prematurely, short of full employment (as apparently happened in 1959-60). As feeble recoveries become recessions, potential surpluses turn into actual deficits, mainly because revenues drop rapidly, but also because government spending rises for unemployment benefits and other antirecession measures.

Thus Heller sees the present tax structure as a major problem—but also as a potential bonanza for the new Administration. For at full employment (if you could get and stay there) the huge revenues generated would give the Administration increased resources wherever it needed them—for defense, education, urban renewal, or other purposes.

• **Closing the Gap**—Heller recognizes



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that this deflationary gap could be closed either by boosting government spending or by cutting taxes. For the immediate future, he and his colleagues prefer the spending way of closing it.

They admit this may take time, because of Congressional opposition to increasing the rate of government spending as fast as they want to. But they resent the implication by some critics that their stabilization and growth program therefore amounts to much the same thing as Eisenhower's—depending for short-term stabilization on speeding up the rate of defense orders or other government spending.

Longer-term, the new Administration favors—where the Eisenhower Administration merely tolerated—a gradual increase in government spending. But the critics note that in a recession period Kennedy, like Eisenhower, has continued to insist that his policies will result in a balanced budget.

Kennedy's economic advisers, however, want to balance the budget at a higher level of government spending, and think this is possible.

• **Support**—Heller, for instance, cites a recent paper by Prof. James S. Duesenberry of Harvard, which suggests that a $5-billion increase in government expenditures this year will result in at most a $1-billion net deficit in the federal budget, and might even yield a $1-billion surplus. Duesenberry figures that the $5-billion in government spending will become immediate income to the people who receive it, and then will generate an extra $7-billion to $9-billion in consumer expenditures as the money changes hands and is respent. At present tax yields, this $12-billion to $14-billion increase in incomes will yield $1.8-billion to $2.1-billion in revenues to the Treasury.

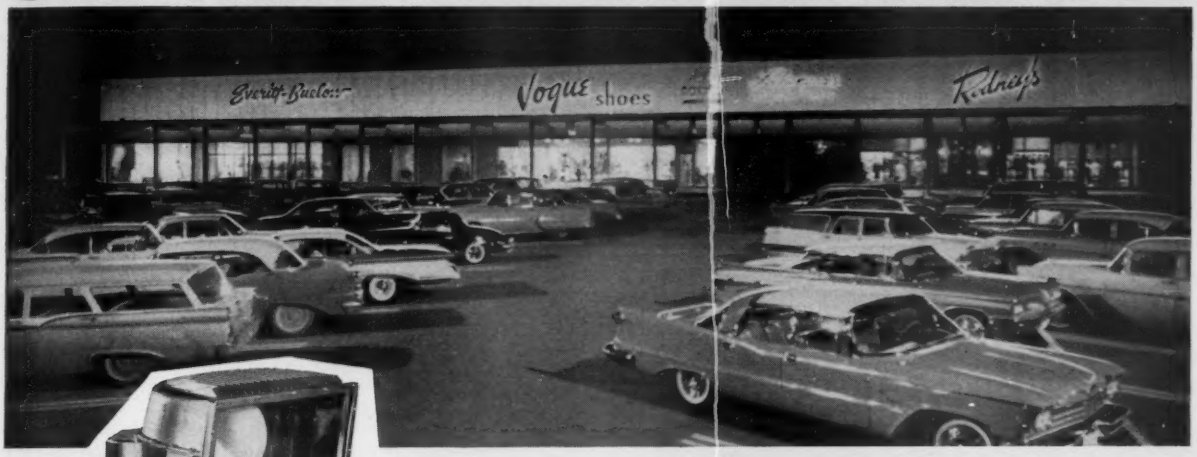
But, says Duesenberry, that's not all. The additional consumption will generate additional business investment in inventories and plant and equipment, and this, too, will generate tax revenues. Duesenberry thinks the total revenue boost will, in the same year, come close to closing the deficit created in the first instance by the $5-billion step-up in federal spending. Duesenberry admits, however, that his assumption of an extra $2-billion to $4-billion revenue increase from increased business investment is "an off-hand estimate."

II. Building Up CEA

Heller's ambition is to make the CEA a top-flight analysis and policy center within the Administration—and he puts equal stress on analysis and policy. He says he sees his own role as CEA chairman as "less political than it was under Leon H. Keyserling," former Pres. Harry S. Truman's second CEA chairman, but less non-political than



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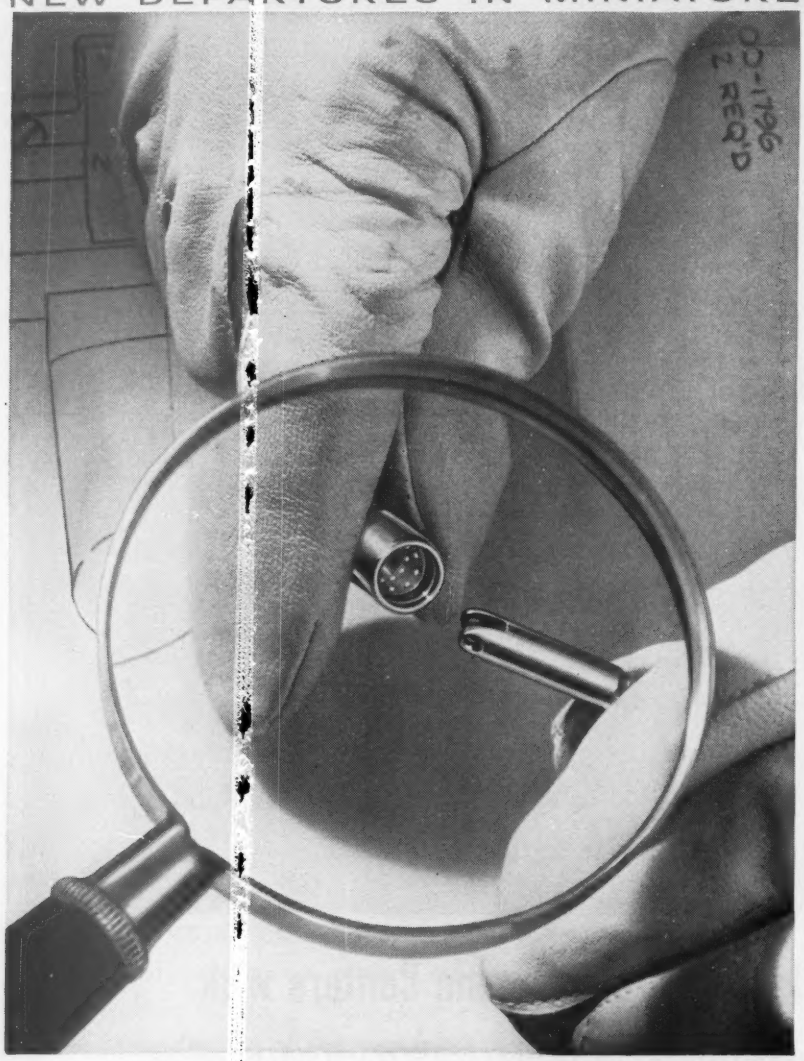
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the job was under Truman's first chairman, Edwin G. Nourse.

On the policy side, Heller realizes that his power derives entirely from the President—and appears therefore to worry most about his standing with the President. He is still trying cautiously to define CEA's relations with other policymakers—Treasury Secy. Dillon, Budget Director David E. Bell, Federal Reserve Chmn. William McChesney Martin, Jr. Thus far, Heller asserts, relations have been extremely harmonious.

• **Division of Labor**—In an effort to strengthen the CEA's analytical capabilities, Heller is trying to move fast in several directions—to divide the labor on special subjects among his fellow CEA members, to add top-flight economists as full-time senior staff members, and to enlist a number of leading economists as official or nonofficial consultants. He is also endeavoring to work out a scheme for organizing Council members, staff members, and outside consultants into task forces on critical problems.

Heller has split over-all responsibility among the CEA triumvirate this way: Tobin gets money and banking, debt management, econometric studies and forecasting, international finance. Gordon gets manpower, wage-price relations, foreign aid and foreign trade, natural resources. Heller himself takes prime responsibility for public finance, education, and welfare.

• **Lieutenants**—Both Tobin and Gordon put in stints at the Office of Price Administration before Tobin went into World War II service in the Navy and Gordon in the Army, where he was assigned to OSS. Both say their OPA experience made them, as it did other economists once in the price-controlling business, foes of direct controls in ordinary peacetime circumstances.

Tobin is an economists' economist—a fast man with an econometric model, and an expert on monetary theory. He did his undergraduate and graduate work at Harvard and, though teaching at Yale since 1950, his thinking still seems close to that of such Harvard men as J. Kenneth Galbraith, Seymour E. Harris, and Arthur Schlesinger, Jr.

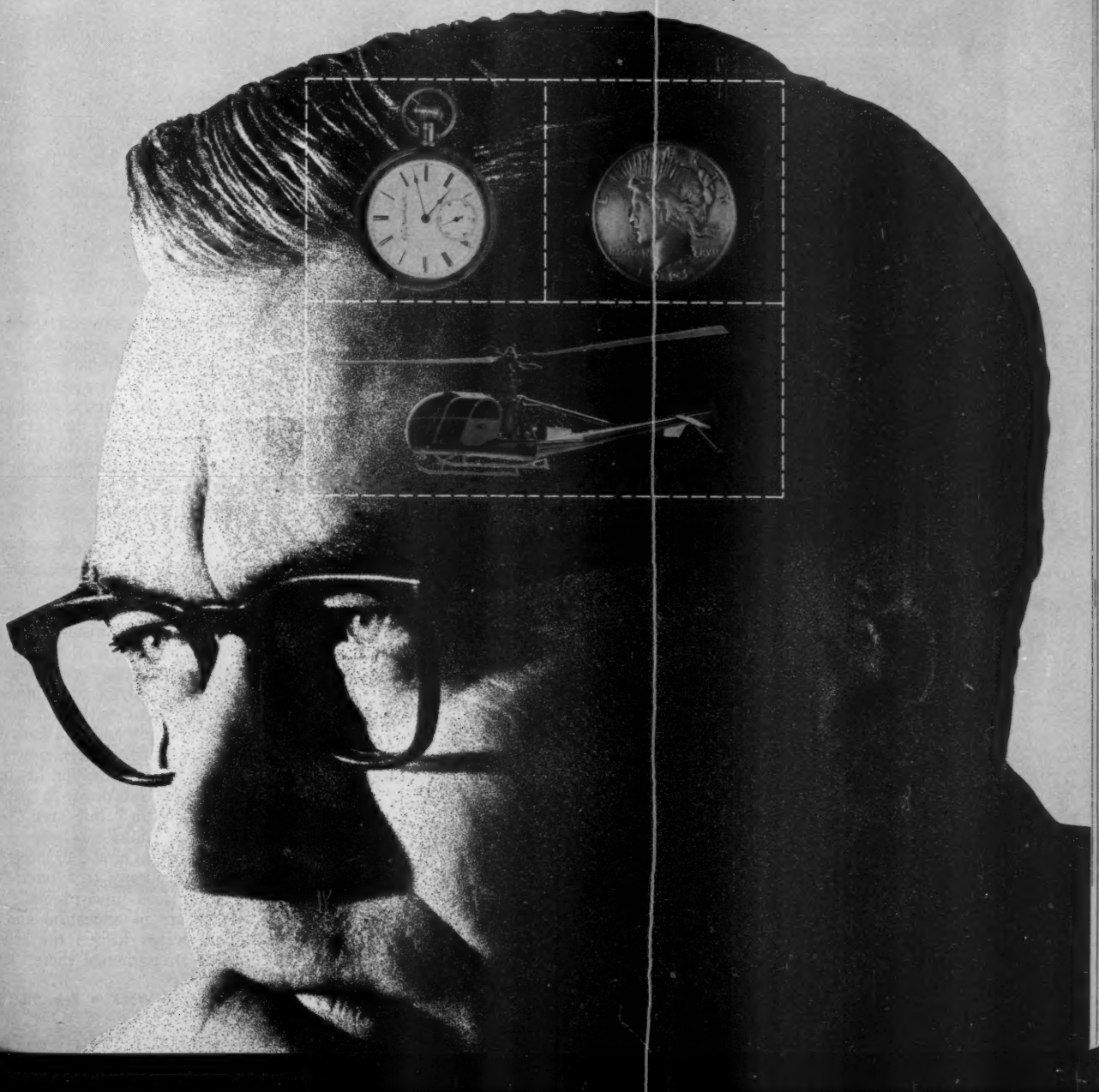
In a New Republic article of July 25, 1960, Tobin argued strongly for increased taxes as a way to faster growth. "We must tax ourselves," he wrote, "not only to finance the necessary increase in public expenditures but also to finance, indirectly, the expansion of private investment." Budget surpluses, he adds, would in effect generate greater total national savings and investment.

Gordon also did graduate work at Harvard, but is less exclusively a Cambridge product; he was an undergraduate at Swarthmore, later was a Rhodes scholar at Oxford. At the Ford Founda-

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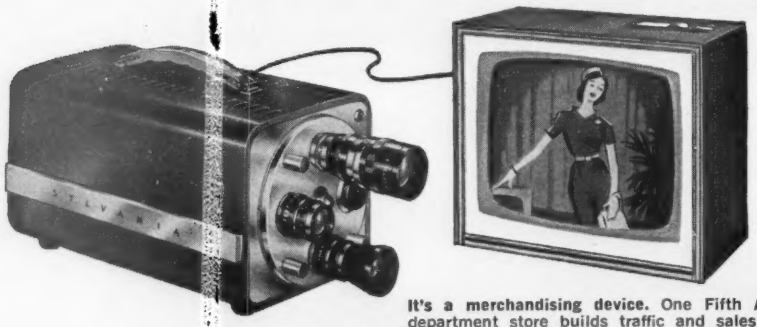
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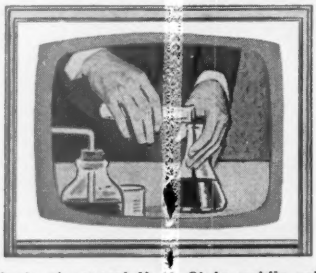
It's a merchandising device. One Fifth Ave. department store builds traffic and sales by showing 3rd floor Fashion Show in street floor window. Customers see, stop, come in.



Guarding security at Bayside, N. Y., Atomic Energy Plant. TV system checks identification, guards vital areas hour after hour without a wink. Complete installation took only one day!



A production monitor. A rubber company keeps constant watch on special processing, work in progress, inventory too. Information from various points feeds to a private monitor.



Students at several N. Y. State public school systems, as well as leading colleges and universities, now see demonstrations close up. TV even magnifies microscopic slides! Used more and more in N. Y. schools.



An extra flight announcement board. At Idlewild airport, one airline keeps passengers posted on arrivals and departures by TV receivers conveniently located throughout the terminal!

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tion, he was heavily involved in a program to strengthen business schools.

At his confirmation hearing, Gordon told the Senate Banking & Currency Committee he regards the wage-price problem as crucial, "particularly in the vital context of the balance-of-payments situation." He is worried that Kennedy may be overoptimistic in assuming that the "structural deficit" in the U.S. balance of payments may be only $1.5-billion, is anxious to try to solve the problem of "the overhang of short-term claims" against the nation's remaining gold stock.

• **Build-Up**—Chmn. Heller is already augmenting the CEA staff with some leading economists, such as MIT's Robert Solow, Yale's Arthur Okun, RAND Corp.'s Richard Nelson. He has enlisted as consultants MIT's Paul A. Samuelson (Kennedy's key pre-election economics adviser, who shunned a full-time Washington job), and the Brookings Institution's Joseph A. Pechman.

• **Jobs Ahead**—These men and others will be organized into task forces with such key staff men as forecaster David W. Lusher, inherited from Eisenhower's CEA under Arthur F. Burns, and, later, Raymond J. Saulnier. Heller wants his economists to tackle the toughest questions facing the U.S. economy:

• Is the present fiscal structure a key barrier to full employment—and how should it be modified?

• How can the government best use its resources to stimulate economic growth and productivity?

• How can programs for achieving full employment be reconciled with efforts to maintain reasonable price stability?

• How can monetary, fiscal, and debt management policy be better integrated to keep the economy stable?

• Can economic forecasting be improved by throwing greater resources into econometric analysis and more systematic reporting of data?

• How bad is the existing deficit in the U.S. balance of payments, and how much will it resist improvement? Do we need basic reform in the international monetary mechanism—and how?

• **"Give Us Time"**—On all these problems, Heller insists he is "open-minded"—and thinks his record in Minnesota and Washington, where he has put in time at the Treasury and as a fairly frequent Congressional witness, proves it. He admits the Administration has been moving cautiously and slowly to "get the country going again," but says: "Give us time, give us time."

Heller's main aim now is to locate the areas of the economy that offer "the greatest return on investment." He thinks these are in education and research, and wants to see the federal contribution strengthened there. END

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Fruit of Loom Intends to Accept Bates Stock Bid Despite Higher Offer

In corporate takeover contests, it's sometimes not enough to be the highest bidder. For example, Philadelphia & Reading Corp., which is battling Bates Mfg. Co. for control of Fruit of the Loom, Inc., a fabric converter, is facing opposition from Fruit of the Loom management despite the higher terms of the P&R tender offer to shareholders. Originally, P&R had announced it would make a bid for Fruit of the Loom shares, but **Bates got in first with a firm offer of $20 a share for Fruit of the Loom common and $50 a share for the preferred. P&R countered by making an offer of $23 for the common, $51.50 for the preferred.**

But before P&R had its offer public, Fruit of the Loom management endorsed the Bates proposal and indicated its intention to accept. This week, it repeated its intention to go through with the promised sales. Bates also obtained commitments to enable it to purchase other "appreciable blocks of stock" at prices exceeding the initial offer. These stocks, plus the management shares and a 12½% block of Fruit of the Loom shares held by interests that also have a big stake in Bates, probably amounts to majority control of Fruit of the Loom.

P&R is not giving up. It has asked the SEC to look into the matter.

• • •

Whole Batch of Merger Proposals Confuses the New York Banking Map

The New York banking picture looked like an army battle map this week, with moves and countermoves coming in swift succession. The situation is likely to remain fluid.

The latest round started with the announcement of a merger between Manufacturers Trust Co. and Hanover Bank. Then Morgan Guaranty Trust Co. of N. Y. disclosed plans for a statewide holding company. Now First National City Bank of N. Y. is making a second try to establish a beachhead in suburban Westchester County—a merger with the county's second largest bank, the National Bank of Westchester. **And Marine & Midland Corp., at present the state's largest—and only—bank holding company, is talking over a merger of its Marine Midland Trust Co. of N. Y. and Federation Bank & Trust Co., a relatively small bank with assets of under $300-million.**

The First National City-National of Westchester merger would create an institution with resources of $9,069-million and deposits of $7,987-million. Although it would not change National City's position as No. 2 bank in New York City, it would bring it closer to Chase Manhattan in size, and give it an edge in Westchester.

MORE NEWS ABOUT FINANCE ON:

• P. 59—Republic plans to roam far afield now that it's out of movies for good.

Similarly, the Marine Midland move would still leave it smaller than the proposed Morgan group but would give it a bigger position in New York City, where the bulk of the Morgan combine's assets would be centered.

How many of the new proposals will be approved by regulatory authorities is problematical. **First National City's first try at the suburbs—a holding company hookup with County Trust Co., the largest bank in Westchester—was turned down by the Federal Reserve on the grounds it would lessen competition.** This fall, County Trust decided to go ahead with a holding company proposal from Bankers Trust Co.

This time First National City has higher hopes for a green light. The merger must be approved by the Comptroller of the Currency, who favored the County Trust proposal, instead of by the Fed. And National of Westchester's smaller size takes some of the sting out of competitive effects of the merger.

• • •

Martin Co. Buys 14% Interest In Epsco, Electronics Company

The Martin Co., which has prospered despite the troubles of the airframe industry by switching from manned aircraft to missiles, this week disclosed that it had picked up a 14% stake in **Epsco, Inc.**, a Boston electronics company, for about $2-million. This is the third acquisition in Martin's offbeat program to expand into electronics and other "new technologies," and Martin's reasons for buying are different in each case:

• Martin officials say the Epsco purchase was purely an "investment," made to help out a company that badly needed equity financing. There's no thought, says Martin, of merging with the company, or of bringing it "within our sphere of management." Martin says it wanted a financial stake in data processing, which is Epsco's forte, and, in addition, hopes to benefit from "closer contact" with Epsco's engineering management.

• With **General Precision Equipment Corp.**, a much larger company than Epsco, Martin's motive is clearly and openly merger. "We bought 14% of GPE's stock in the open market," says a Martin official, "because, at the time, it was the cheapest way of buying into the company."

• In **Nuclear Corp. of America**, where Martin—together with its "partner," Bear, Stearns & Co., a New York Stock Exchange firm—has bought working control, there is still a third reason. NCA, as Martin sees it, is doing interesting research in two areas: high power vacuum tubes and rare earth metals. The company will also be used as a vehicle for Martin to acquire small scientific companies that might be reluctant to join the big Martin organization directly. To date, no such acquisitions have been completed.

From Movies to Appliances

● **That's the career of Republic Corp.—formerly Republic Pictures Corp.—as it moves toward merger with a West Coast appliance manufacturer.**

● **Republic got out of movie-making about four years ago, but its library of films, mostly Westerns, has been earning money through sales to TV stations.**

● **Diversification out of the film industry began with a plastics company, but it is expected to go farther and faster under Victor M. Carter, chairman and president.**

Hollywood's film companies have been trying different solutions to their profit problems—including the drilling of oil wells on back lots (BW—Feb.13 '60,p32)—but they have generally stuck to the motion picture business as their stock in trade. One exception, Republic Pictures Corp., decided to get out of film production and stay out, and its decision is paying off.

Republic's latest move has carried it into the appliance business. The company—now known simply as Republic Corp.—has signed a merger agreement with Utility Appliance Corp. of Los Angeles, makers of ranges, air conditioners, and water heaters, on the basis of one share of Republic for each 1.3 shares of Utility.

Utility has good sales ($22-million) and assets, but comparatively low earnings—a description that also fitted Republic a few years back. But the man who gave Republic its new look is confident that Utility, too, can be transformed into a money maker.

• **Rebuilding Job**—The man who reshaped Republic is Chmn.-Pres. Victor M. Carter, 50, who took over from movie mogul Herbert J. Yates in mid-1959. Yates had been under attack by shareholders for several years—for failure to pay dividends on the common stock, and for pooh-poohing the threat of TV to Republic's Grade B Westerns and then selling pictures to TV at bargain rates.

But Yates did start Republic's plastics diversification, and in 1957—before Carter came in—Republic did quit making pictures.

When Carter took over the company, seven of its 10 operating units were in the red; he made them all profitable. In the fiscal year ended Oct. 31, 1960, with sales staying about the same ($30-million), Republic's earnings per share climbed from 24¢ to 85¢.

• **Wide Experience**—Carter, whose techniques stress cost-cutting and aggressive exploitation of potential sources of profit, has had a lot of experience in reshaping businesses. And running Utility Appliance won't be an entirely new venture, because he had previously been in the kitchenware market, among other things.

At the age of 27, he started a company to make steel windows and metal construction products. The business prospered until wartime restrictions on steel shut down production. Carter eventually reorganized the company into a distributor of wall heaters and door locks. After the war, Carter also began to manufacture kitchen hardware.

In 1949, Carter acquired the Builders Emporium, a hardware outlet in the San Fernando Valley. It was doing $700,000 worth of business, yet was going broke. Carter converted it into a self-service operation, catering to the do-it-yourself enthusiast, and the Emporium quickly became a money maker.

• **Into Republic**—However, Carter wanted a sabbatical and, by mid-1956, he sold out. He started purchasing Republic shares in 1958, strictly as a speculation; then the more he looked, the more he thought he could do a rebuilding job in the company. By November, 1958, he had accumulated 97,000 shares at an average of about $7.50 a share. The following April, he and his associates bought Yates' 550,000 shares at $10 a share. Carter himself took 218,000 shares, and his personal holding in Republic is now approximately $4.5-million.

• **Wielding the Ax**—Once in control, Carter quickly wielded the ax on Republic's diverse operations and its layers of top management; he cut 10 executives from the payroll and also reduced the management overhead by $300,000.

Republic had a plastics company, Consolidated Molded Products Corp., with three Eastern plants. It had Consolidated Film Industries Div., a film processor with two Eastern labs and one in Hollywood. It had what was left of Republic's film business—the studio property, leased to independent film and TV producers; some adjacent undeveloped property, and the library of 200 films, at that time being sold by outside distributors to TV station markets. Only the film library and one film lab were making money.

In the case of the film library, Carter switched from distributors to his own salesmen, now expects the library to have $15-million in firm contracts in five years, a big proportion of them in overseas markets.

• **Studio Problem**—Under Carter, Republic has been more aggressive in getting more profits out of its studio facilities. But the studio land and facilities remain a problem. They produce 15% of Republic's gross, yet profits are slim. The main trouble is that the two biggest independent producers, Dick Powell's Four Star and Jack Webb's Mark VII, were signed by Yates at very low rental rates—and Powell's contract still runs for another three years. Business may pick up for Republic's lot when the 20th Century-Fox lot begins to be plowed up for the grandiose Century City project, and Carter is adopting a wait-and-see attitude. If profits cannot be improved Carter will consider selling the property—at the right price.

• **Use Out of Utility**—Now Utility may be in for a similar reshuffle. The merger requires shareholder approval, which is expected this spring. Then Carter will probably consolidate Utility's jungle of production facilities in the Los Angeles area into one location. For some time, though, Republic's per-share earnings probably will not reflect any benefit from the merger.

Without Utility, Carter projected Republic's per-share earnings at $1.25 for fiscal 1961 on 2-million shares outstanding. But Carter has asked for an increase in authorized shares to 6-million shares, 500,000 of which will go to the Utility merger. If the latter are issued, Republic won't come near the projected figure—especially with Utility's profits hit hard by the appliance slump.

Carter, though, still expects Utility to earn $1-million in the first 12 months under his operation. The extra shares also put Carter in a strategic position to go after additional acquisitions after Utility has been absorbed. This is where his true test will come. It's fairly easy sometimes to cut out corporate fat, which benefits earnings. But it's another matter to achieve real growth for a company. **END**

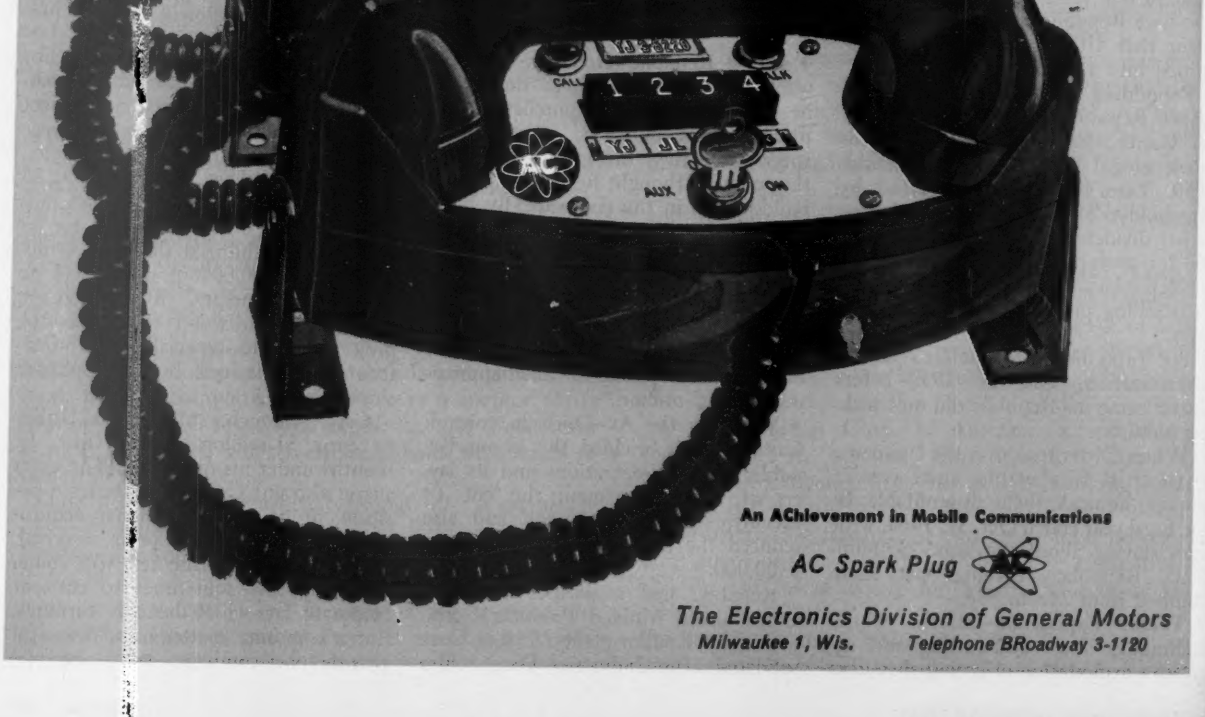
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BUSINESS ABROAD

Reds Export Cuban Revolution

Castro's Communist - dominated regime stirs trouble in Latin America with catchall doctrine called Fidelism.

During the past two years, the U. S. has become more concerned with events in Latin America than it has since the days of the Good Neighbor Policy in the 1930s.

One man, Fidel Castro, is largely responsible for this. First, he pulled Uncle Sam's beard by seizing $1-billion in U. S. property and provoking a break in diplomatic relations. Now, he is going all-out to export his anti-U. S., Communist-dominated revolution.

This week, Castro openly admitted for the first time that Cuba is trying to stir up revolution in the rest of Latin America. He said that because the U. S. is aiding what he termed counter-revolutionaries, "Cuba feels it has the right to spur revolution in Latin America."

• **U. S. Reaction**—Cuba's efforts are not going unnoticed in the U. S. In his press conference last week, Pres. Kennedy said that the export of the Cuban Revolution is a "matter of high priority" and a subject of intense study. This week, the Voice of America announced a broadcasting campaign to combat Castro's influence.

The degree of Castro's success in the Southern Hemisphere is important to the U. S. for two reasons:

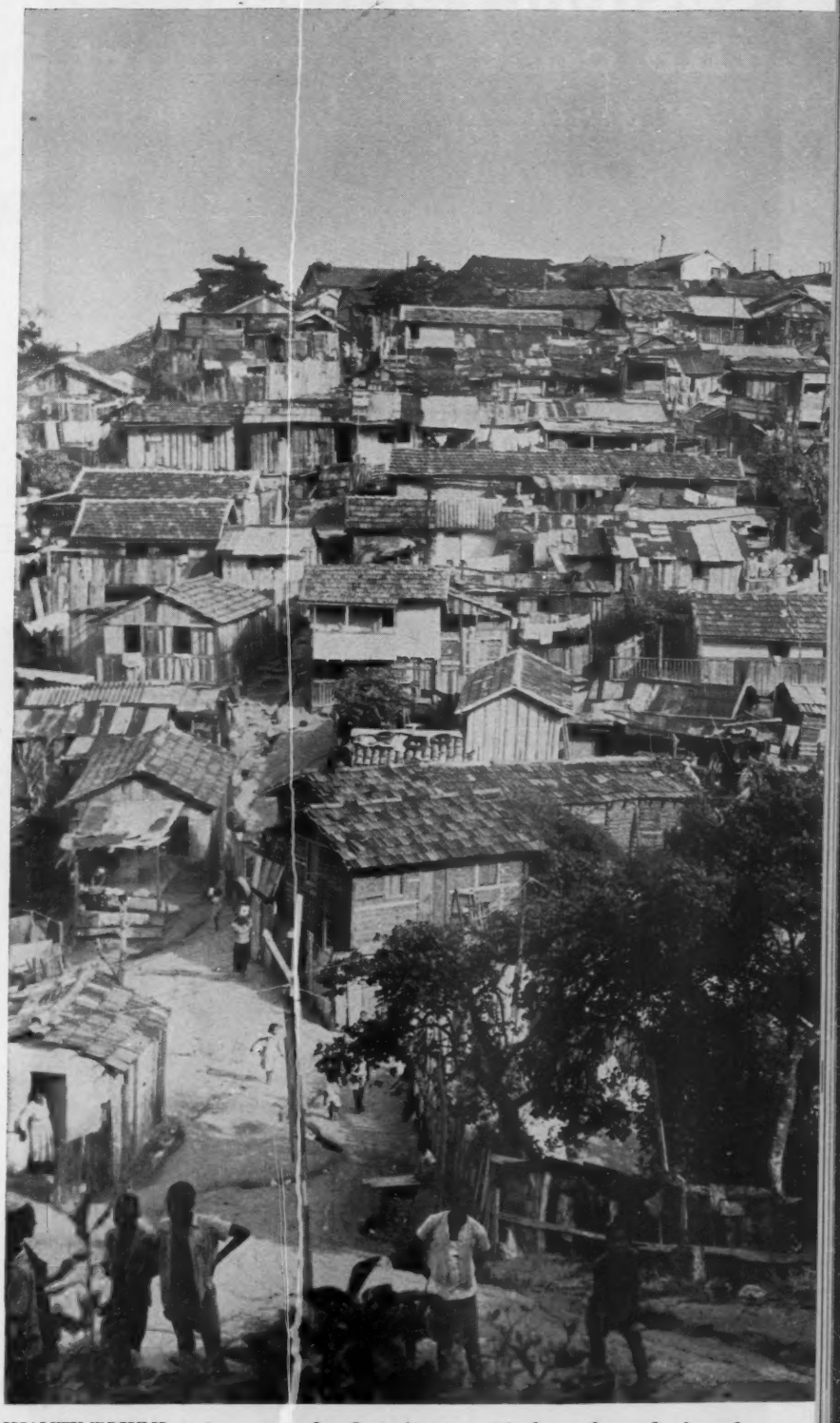
• If the Cubans succeed, the U. S. will see more than one Communist-affiliated nation south of the border.

• If other Latin Americans follow the example of the Cuban Revolution, U. S. businessmen will lose investments, markets, and sources of supply.

• **Communist-Controlled**—The Cuban Revolution and its spreading power is wrapped up in a loosely defined concept called Fidelism. Like many "isms," Fidelism is not a carefully defined doctrine. Called "Fidelismo" by Latin Americans, it is a catchall label for the objectives and methods of the Castro regime.

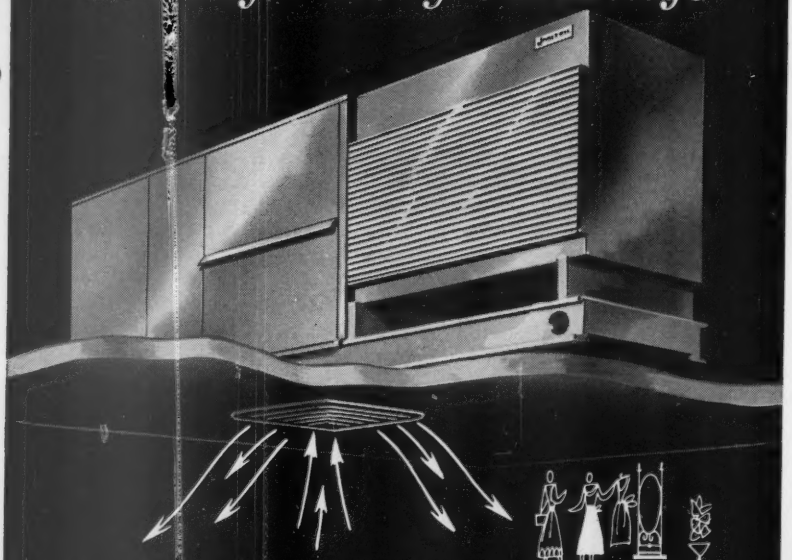
For the U. S., the trouble with Fidelism is that it is under Communist control. International Communism has been trying to infiltrate the Western Hemisphere since World War II. When it succeeded in capturing Fidelism, it got the best channel it has ever had to introduce Communism into the Americas.

Fidelism is useful to the Communists because it has a "made-in-the-



SHANTY TOWNS ringing some modern Latin American cities house thousands of people who live a hand-to-mouth existence. These slums are breeding places for Fidelism. Many come from semi-feudal peonage on large farms.

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Western-Hemisphere" tag and is not a foreign ideology. It is effective because it works upon the impatience of the dissatisfied—and there are millions in Latin America who are most dissatisfied and most impatient to have something done.

The Communists and Fidelistas are stirring up revolution with every means at hand—propaganda, violence, bribery, and subversion. So far, they have been moderately successful in several places. But opposition is beginning to form because the Cubans have made mistakes and Latin Americans are starting to identify Fidelism with Communism.

I. Strategy for Conquest

In the manifesto published after a meeting of Communist leaders in Moscow last fall (BW—Dec.10'60,p119), the Reds outlined their plans for using nationalist movements as part of their strategy for world conquest. Their takeover of Fidelism is a classic example of what they meant. Fidelism, economic aid and trade deals, and a strong propaganda effort constitute Communism's offensive in Latin America.

• **Postwar Offensive**—The Communists began to work in Latin America after World War II, trying to capitalize on the respectability that their wartime alliance with the Allied Powers had given them. Their main efforts were through local Communist parties.

But Communism didn't go down well in Latin America as the cold war took shape. The Berlin blockade, Soviet vetoes in the United Nations, then the Korean War soured most Latin Americans. Nevertheless, the Communists kept trying until the fall of the Red-tainted Arbenz regime in Guatemala in 1954.

This, say experts, led to an agonizing reappraisal in the Kremlin and a shift in tactics. From 1954 until 1959, they soft-pedaled the Communist Party's attempts to gain power. Rather, they tried to ingratiate themselves by identifying themselves with nationalistic causes.

• **Communist Pawn**—This was the policy in force when Castro came to power in January, 1959. A few months before, when Castro appeared to be gaining the upper hand over Batista, the Communists slipped into Castro's camp. Since then, they have used him to establish their base in the Western Hemisphere.

Washington experts are convinced that the Communists are going all-out economically to support the Castro government. Latest estimate of Communist bloc aid to Cuba is $215-million for 1961. This support also encourages other leftwing groups that might want to follow the Cuban example.

• **Trade Deals**—The Communists also are probing in Latin America with trade





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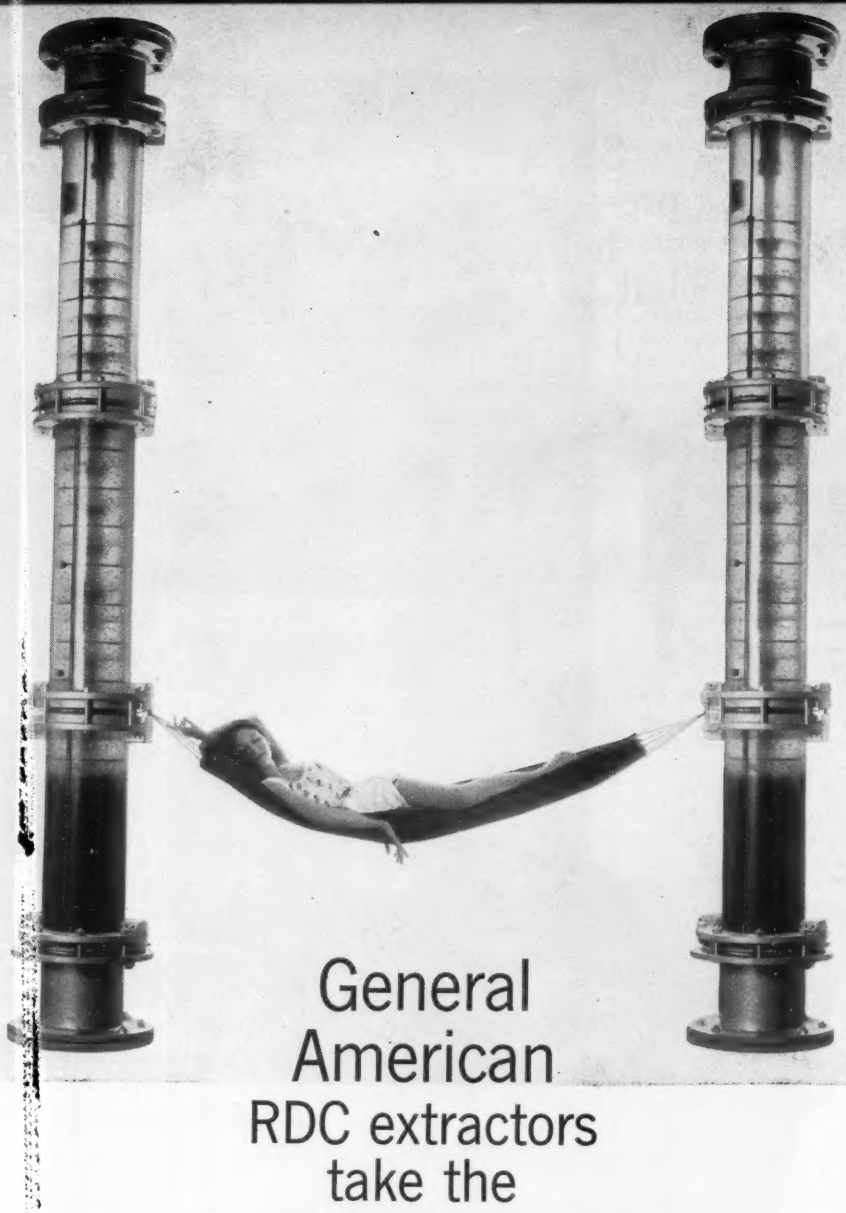
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arrangements. Trade between Latin America (excluding Cuba) and the Communist bloc will run around $200-million each way this year. That's only 3% of Latin America's trade—but the Communists, mainly the Russians, are buying commodities that are the main export item of the selling countries. A deal to swap oil for Brazilian coffee is one of 35 trade agreements.

The Soviets are also extending trade credits where they will carry a political advantage. The largest current agreement is with Argentina—a $104-million credit for oil drilling equipment and other industrial items. It may be topped by an offer of $150-million to Bolivia for tin mining and smelting equipment. The Bolivian government has the proposal under consideration.

II. Castro's Appeal

When Fidel Castro came to power, he immediately attracted attention throughout Latin America as much by his personal appeal as by the political, economic, and social changes he offered. His appeal was widespread because there is a strong sense of cultural unity in Latin America, despite differences among countries.

To Latin Americans, Castro is "muy macho"—literally, very male. He appears to have a robust masculinity, a daring zest for action that Latin Americans admire and aspire to themselves. And they are attracted by what the social psychologists call charisma—a mystique and style that spellbinds many people. Castro also embodies the anti-dictatorial spirit that's cherished in a region long trodden by dictators.

• **Playing Up Grudges**—Like most demagogues, Castro recognizes existing social forces and uses them to his own advantages. He has formulated few new ideas of his own.

Castro's anti-Americanism is particularly well received in Latin America, where "anti-Yanquismo" has flourished for years. Some of this is inherent in the frictions between two cultures, one Iberian and Catholic, the other Anglo-Saxon and Protestant. More comes from the envy of the poor for the material benefits of the comparatively well-off.

Other grudges arise from the political and economic ties the U.S. has with Europe, to the detriment, many Latin Americans believe, of their nations. They also feel that the U.S. has treated them paternalistically for years, frequently interfering in domestic affairs or dictating foreign policy from Washington.

Further, they hold the U.S. responsible for fluctuations in their one-commodity export economies, where the U.S. is the largest customer and does little, they charge, to stabilize prices.

Closely connected with Castro's anti-Americanism is his posture toward private capital. Latin American nationalists believe that foreign private capital, which comes mostly from the U.S., has been exploiting their natural resources and labor, taking out profit and leaving behind little visible economic improvement.

• **Appeal to Intellectuals**—Among Castro's more vociferous backers in Latin America are the so-called intellectuals—students, teachers, writers, journalists, and some professional people. Fidelism appeals to them on somewhat abstract ideological grounds.

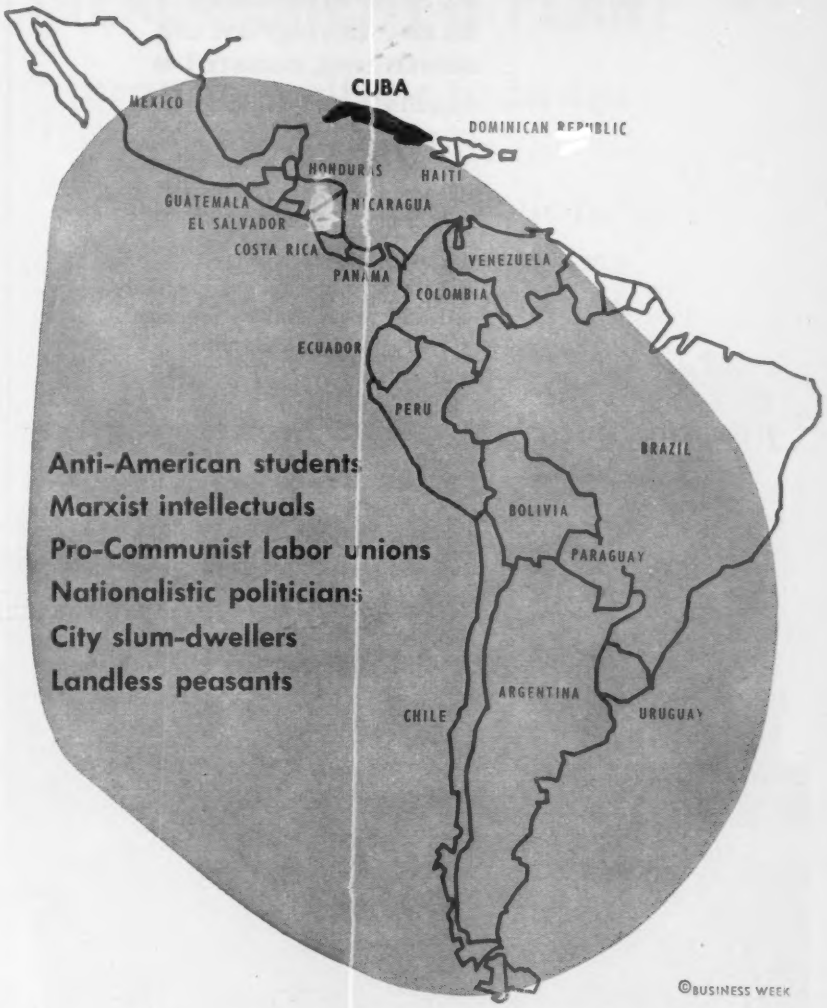
To this group, and to some middle-class businessmen, Castro's pledge of industrialization as a way out of economic stagnation is welcome in an area dependent upon agriculture and raw material production. The promise of more and better employment has gained labor support. And to all of these groups, the promise to purge government of corruption is encouraging.

• **Housing Program**—As Castro's programs in urban housing and agrarian reform got under way, he generated a vague interest among the city slum-dwellers and the impoverished peasants. These people, mostly illiterate and not politically informed, don't have a clear picture of what is going on in Cuba. But they hear enough about new houses and land ownership to stir them and they are potentially the most powerful disciples of Fidelism in Latin America.

Around many modern cities in Latin America are rings of shanty towns inhabited by people who have left a semi-feudal existence on large estates to seek employment in the cities. But the urban economies cannot absorb them. Unable to find jobs, they grub for a living and live in shacks without water or sewers.

Back on the farm, the peasant lives and works in peonage to the "patron,"

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without owning much more than the clothes on his back. His dream is to own a plot of land and tools to work it.

• **Land Reforms**—The problem of land reform is perhaps the most pervasive in Latin America today and will be the most difficult to solve. Two-tenths of 1% of the landowners in Guatemala own 40.8% of the privately owned acreage. In Argentina, 500 owners hold 18% of the farmland. In Chile, 1% controls 43% of the land.

To the peasant who lives in this situation, Fidelism offers an easy satisfaction of his desires—take the land and divide it up. In northeastern Brazil, a leftist named Francisco Juliao has organized several thousand peasants into leagues and led them in armed squatters movements. Most of the peasants don't know who Castro is—but his message comes across clearly.

Fidelism also makes a racial appeal. It promises equality and opportunity to Indians, Negroes, and mestizos in a region dominated by people of European extraction.

• **Political Inroads**—Fidelism has made marked inroads among politicians and government officials throughout Latin America for several reasons:

• Some are ideologically sympathetic with Castro's objectives and methods and want to use Fidelism to provoke a leftist coup.

• Others note Fidelism's popularity and are using it to get votes.

• Nationalists find Fidelism a useful lever on the U.S. Indeed, Castro boasts that he is responsible for getting the $500-million social development fund to which the U.S. committed itself at Bogota, Colombia, last fall.

Even Jose Figueres, one-time president of Costa Rica and long a friend of the U.S., once remarked, "If Fidel Castro had not existed, we should have had to invent him."

III. Roots of Infiltration

The Communists are believed to be spending between $100-million and $200-million a year to spread Fidelism through Latin America.

The Cuban embassies are the main channel for propaganda materials, money, and personnel carrying the Fidelista message. The Russian embassies in Mexico City, Montevideo, and Buenos Aires are also financial and communications centers.

Perhaps the best example of a Cuban embassy's efforts to come to light is in Peru, where anti-Castro elements not long ago raided the Cuban embassy and turned up copies of letters and reports sent by the Cuban ambassador back to Havana.

According to the documents, a number of student leaders received $150 to $200 each for pro-Cuba agitation, as

did several front organizations, newspapers, and journalists. Five deputies in the national legislature took bribes, and officers of the small Progressive Socialist Party and the larger Accion Popular received a total of $15,000.

Another $15,000 went to the Peruvian Communist Party, which, in turn, paid individuals for "agitation and propaganda," say the exposed papers.

Elsewhere, Cuban diplomatic officials have distributed printed propaganda, organized strikes, delivered political speeches, and arranged demonstrations. A Panamanian official says, "We know they are handing out well over $20,000 a month to their onhangers and publicists, but our hands are tied."

• **Other Fronts**—Carrying on similar activities are various front organizations. In El Salvador, the Friends of Cuba sparked a clenched-fist anti-U. S. demonstration Jan. 6. Costa Rica also has a Friends of Cuba branch, principal support for which comes from a group of intellectuals.

In Venezuela, the leading front for Fidelism is the Committee for the Defense of the Cuban Revolution. It was led by Humberto Cuenca, president of the Venezuelan College of Lawyers. He is now in jail for taking part in last November's riots in Caracas.

Political parties fall into much the same bracket. The leader of the Revolutionary Party of April and May, in El Salvador, reportedly gets $80,000 a month to carry on subversion. In Colombia, the Movimiento Liberal Revolucionario promotes Fidelism and holds 15% of the seats in the legislature.

In Argentina this month, the Fidelistas scored a victory with the election to the Senate of Alfredo L. Palacios, a socialist who is an outspoken admirer of Castro and a leader of the Movimiento Popular Argentino.

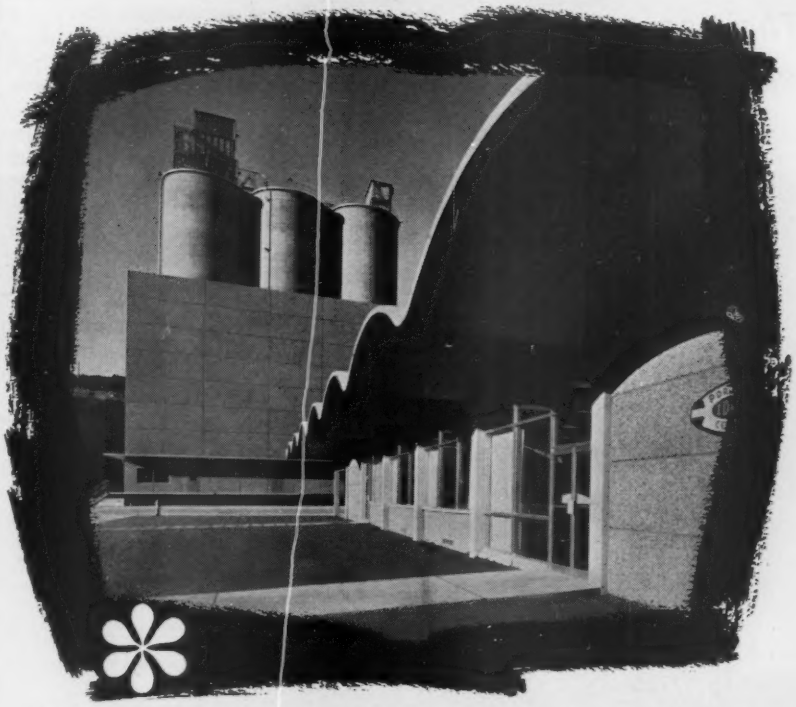
• **"Professional" Students**—Student organizations have been instrumental in promoting Fidelism. The number of students who peddle Fidelism is comparatively small, but they are the most politically conscious and the best organized. In most of these organizations, students of philosophy, economics, and political science are active, as are some law students. Medical and engineering students, for the most part, are not involved. Many of the activists are "professional" students—men and women in their late twenties and early thirties who take one or two courses and spend a large share of their time in political affairs.

Some of the student groups are formally allied with political parties. In Venezuela last fall, student groups affiliated with dissident political parties were participants in the fortnight of riots that ended with skirmishes around university buildings. Students have taken part also in violent demonstra-

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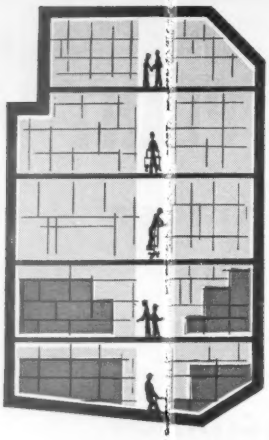
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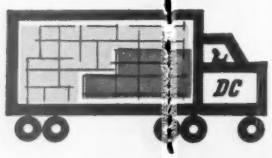
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tions in El Salvador, Panama, Uruguay, Brazil, Bolivia, and Ecuador.

Several unions have backed the Fidelista movement, especially those allied with a political party or dominated by pro-Communists. The general union in Chile, the tin miners union in Bolivia, and the banana workers unions in Ecuador, Panama, and Honduras are among the more active.

• **Communications Network**—Fidelista propaganda has been spread throughout Latin America by every form of communications. Some is homemade, more is imported from Cuba. The Cuban government publishes such magazines as INRA, Bohemia, Revolucion, and Verde Olivio. They are distributed through embassies, front organizations, and some newspapermen.

In Panama, an anti-American named Joaquin Beleno has imported such publications. Now, with a leftist lawyer, Humberto Ricord, he has bought the Imprenta Panama printing plant, most likely to turn out Fidelista pamphlets.

Communist, leftwing, and nationalist newspapers have given the Cuban Revolution continually heavy coverage. Much of their material comes from the Cuban news agency, Prensa Latina.

Radio broadcasting has been particularly effective in many areas, because of widespread illiteracy. Despite the poverty of many areas, there are enough radios to assure that the word gets around. In Central America, much of Fidelism's message has passed over the airwaves directly from Cuba.

Within the next few weeks, radio facilities to export Fidelism will be noticeably increased. The Cubans are about to put into operation a powerful radio station that can reach most of Latin America.

• **Traveling Salesmen**—Another effective channel for spreading Fidelism are the visits of numerous Latin Americans to Cuba, many at the invitation and expense of the Cuban government. The Cubans appear to have concentrated on the so-called opinion leaders—those in a position to influence large numbers of people. Politicians, government officials, students, union officials, teachers, and newspapermen have been among those transported to Cuba.

The Cubans are also known to have taken people to Cuba for military training, then sent them back to their own countries to set up clandestine guerrilla training centers.

Some Latin Americans go beyond Cuba to the Iron Curtain countries. They take their own nation's travel documents as far as Cuba, where they switch to Cuban passports. Then they travel to the Communist bloc for training and indoctrination. When they get back to Cuba, they pick up their own papers again so that when they return home, their governments will not know that they have been anywhere but Cuba.

In the interior of Panama, the Fidelistas have established a school for training guerrillas. It is led by a half-Chinese, half-Panamanian named Chang Marin, who has sent Panamanian recruits on three-month tours behind the Iron Curtain. They were paid $300 a month, plus free transportation and living expenses.

Cuban secret agents, or people suspected of being secret agents, have been spotted in several Latin American nations. Cubans are reported reliably to have been among those instigating riots in Panama, Venezuela, and Guatemala.

IV. Impact on Latin America

Fidelism has been effective in varying degrees in Latin America. Today, it is influential in most of Central America, Venezuela, and Bolivia. Elsewhere, it was popular during the first year of Castro's rule but since then has begun to slip.

To combat Fidelism, the U. S. at first tried to isolate Castro from the rest of the hemisphere, thinking that his revolution would wear itself out. When it became apparent that Fidelism was sturdier than anticipated, the U. S. began to put diplomatic pressure on Cuba. The Declaration of San Jose last August mildly admonished Castro for falling under Communist influence.

Later, the U. S. worked up a more forceful weapon, the $500-million social development fund proposed at the Bogota conference. It will attack the social ills—illiteracy, poor housing, inequitable land-ownership, disease—upon which Fidelism breeds.

• **Stronger Measures**—The U. S. demonstrated that it had had enough of Castro's harassment when it broke diplomatic relations last fall. Most Latin Americans did not protest the U. S. action, thinking that Castro had clearly provoked the break.

Pres. Kennedy, in his campaign speeches and his addresses since taking office, has made a special point of promising a policy like Pres. Roosevelt's Good Neighbor Policy. A task force now has this under study and a "food-for-peace" mission is under way.

• **Disillusioned**—In Latin America, some people have definitely turned against Fidelism, believing that Castro has betrayed his revolution. Others are disappointed, hoping that he will straighten out and get the revolution back on its non-Communist track. Even so, there is an irreducible minimum of Fidelista sentiment in most Latin American countries.

Fidelism has dropped in public favor because Castro has made bad public relations mistakes and opposition groups have been forming. Fidelism is not now

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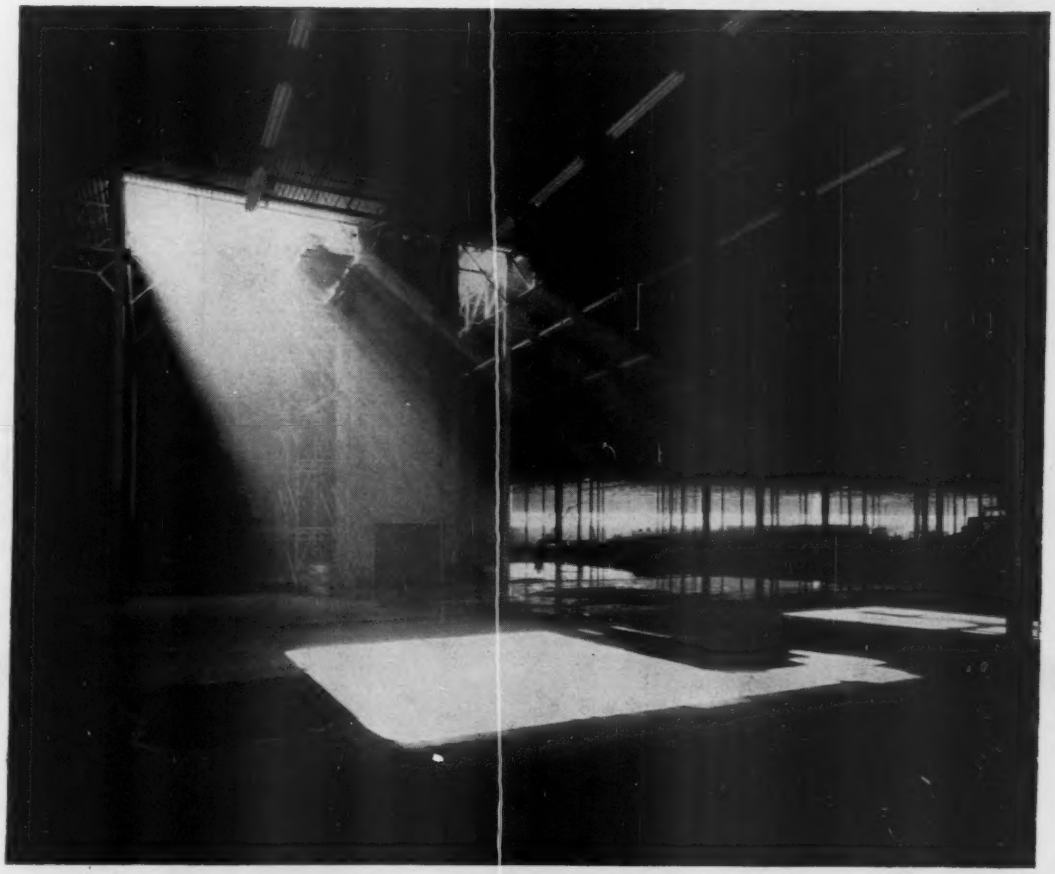
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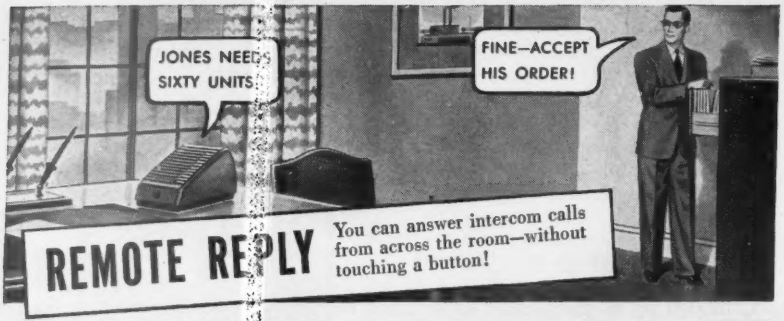
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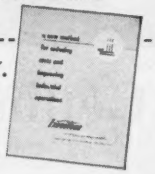
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strong in Chile, Argentina, and southern Brazil because they are far away and the public is tired of Castro's antics.

Moreover, the population in those countries is largely European in origin and is not attracted by Castro's racial policies.

In general, the Cubans have scared off much support with bad ambassadors and open interference in other countries' affairs. The economic troubles and rising opposition in Cuba have disillusioned people, as have Castro's seizures of the press, purge of labor and student groups, and domination of the courts.

• **Loss of Prestige**—There's also a growing awareness of the close ties between the Fidelistas and the Communists. A year ago, most Latin Americans scorned U.S. charges of Communist influence. But the pictures of the "embrazzo" that Castro gave Soviet Premier Nikita Khrushchev at the United Nations last fall drove the point home forcefully.

Nor has Castro endeared himself with his attacks on such popular figures as Venezuelan Pres. Romulo Betancourt or former Costa Rican Pres. Jose Figueres. Persecution of the Catholic Church does not sit well, even though many Latin Americans are only nominal Catholics.

All this has not only lost Castro prestige but generated active opposition. Many governments have become frightened by Fidelism's threat to their own stability and have stopped using Fidelism as an arm-twister on the U.S. Some have gone further and broken diplomatic relations, Peru being the first. Moreover, at least a score of Cuban diplomatic officials, plus numerous non-official agitators, have been declared persona non grata.

Fidelism in the previous junta was among the causes of the latest military coup in El Salvador. In other countries, vigilance committees and branches of the anti-Fidelista Frente Revolutionario Democratico have been formed. "Truth squads" of Cuban exiles have tagged after Castro propagandists. Communist and pro-Communist newspapers have been shut down and the Prensa Latina news service is largely discredited.

• **Church Efforts**—The Catholic Church has been active in several countries, combating Fidelism from the pulpit and through affiliated unions and political parties. But the Church is not so effective as it might be. It lacks facilities for modern mass communications and suffers from a shortage of clergy in many places. Further, not many Latin Americans look to the Church for social leadership because it has been allied for decades with the ultra-conservative groups that are blamed for many political, economic, and social ills. END

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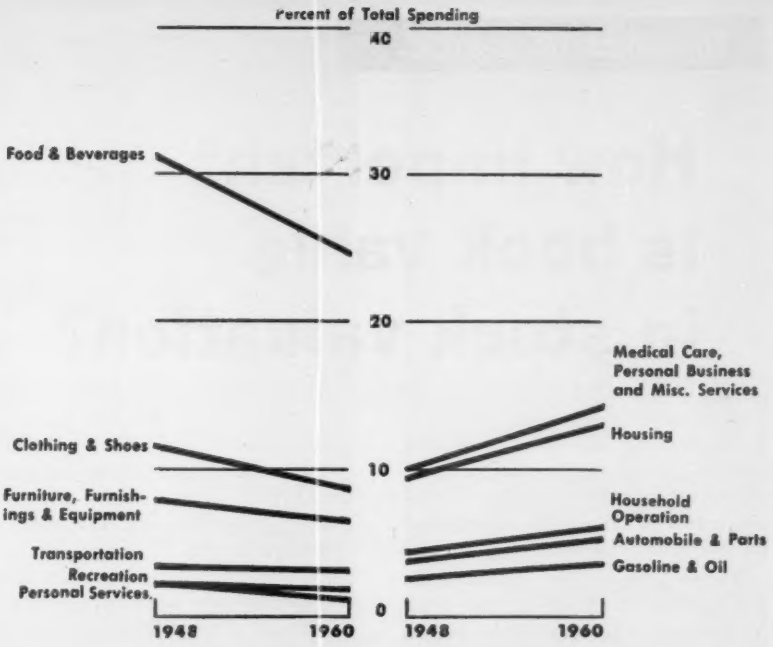
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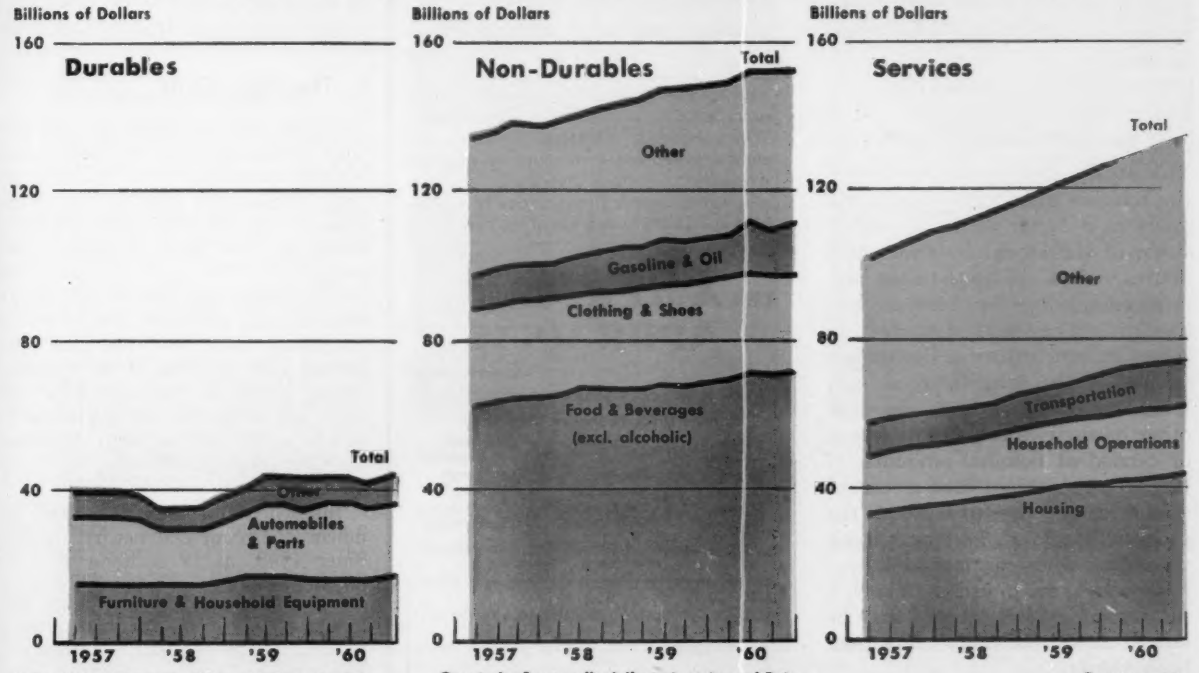
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....and even more important changes show up in the years between the current recession and the 1957-58 dip



New Spending Pattern Evolves

Every year since the end of World War II, people have been spending more than they did the year before, a remarkable achievement in the face of four recessions, counting the present one. Last year was no exception, with personal consumption expenditures rising to an all-time high of $328.2-billion.

But, as the tally by the Commerce Dept. (charts) shows and as innumerable businessmen will testify, there have been distinct and disturbing shifts in the pattern of that spending. This accounts for some of the paradoxes of the postwar economy, in which sharp declines have occurred for some sectors of the economy, while the whole has remained surprisingly stable or even man-

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How important is book value in stock valuation?

Adapted from one of the Clients' Service Bulletins of The American Appraisal Company

In estimating the value of closely held corporate stocks, the inexperienced often attach undue importance to the net equity as reflected on the balance sheet.

Some time ago, THE EXCHANGE, published by the New York Stock Exchange, reported an interesting analysis of the 1055 common stocks listed on the big board. At the time the study was made, 660 stocks were selling above book value and 395 below book value. The variations were wide: 202 stocks were selling at 100% or more above book value and 72 were selling for one-half of book value or less.

Earnings more important

The study clearly demonstrates the relative unimportance of book value as a factor affecting market value of the stock. Balance sheet figures reflect the investment and retained earnings less reserves and liabilities. They seldom purport to reflect current values or liquidation values of the long-term assets. Patents, franchises, trade names or other intangibles are often omitted or carried at nominal amounts. If management cannot earn a reasonable return on the investment, the stock will seldom be worth book value; but when earnings, past and prospective, are in excess of such a fair return, capital equities may be valued at substantially more than book values.

In any valuation of capital stock, the present value of the corporate assets is a factor to be considered, because significant comparisons can be made as to the return on the required investment. However, the study of earnings, growth and prospects for the future may far outweigh in importance the book values or restated values of the underlying assets. In any case, book value is a questionable guide to the measurement of the intrinsic value of ownership in an enterprise. The value of such ownership is dependent to a greater degree on management, earnings, dividends, business potentials, the trend of growth or recession, accounting policies and profit margins than on the stated values recorded on the balance sheet.

★ ★ ★

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. . . services are claiming a growing portion of consumer income at the expense of goods . . .

(STORY on page 77)

aged to grow. The reason is simply that people generally spend in a fairly fixed ratio to their disposable income, at least in broad, over-all terms. There are fluctuations, of course, but as long as personal income goes up, as it has pretty consistently, so will spending.

• **Significant Changes**—What's more, in an economy that is measured in the hundreds of billions, any shifts in spending habits by consumers tend to be fairly minor if viewed in graphs and percentages. When you get behind the percentages into the hard figures, the significance of the spending shifts that have occurred since 1948 begins to take on greater proportions.

You begin to see a definite trend that apparently hasn't begun to spend itself at all. That major trend has been noted many times lately, but perhaps not so clearly as it should be. It is simply that services are claiming a growing portion of consumer income at the expense of goods, particularly durable goods.

I. The Big Shift

People are still spending, and have since 1948, almost all of their current income, putting 5% to 7% into savings. The amount saved is so stable that businessmen and economists can readily count upon the figure in making their projections. The portions that go for durable goods, nondurables, and services remain fairly well fixed within a small percentage range, too. Durables hover around 13% to 15% of the consumer dollar, softgoods between 45% and 50%, and services—a vast catchall of the things people need or want that aren't tangible products—between 33% and 40%.

But when you break this down into dollars, the result is somewhat startling. Since 1948, in an economy that has boomed almost continuously, consumers last year spend just $21-billion more on hardgoods—autos, appliances, furniture, and the like—than they did in 1948. True, that is a rise of almost 100%. It also substantially tops, as a percentage gain, the added amount people spent for softgoods. Outlays for nondurables were $53.8-billion more in 1960 than in 1948, for a rise of 56%. That is considerably less than the 80% gain for all spending.

• **The Big Gainer**—But all three of these gains were far outstripped by services. Consumers last year laid out $74.9-billion more than they did in

1948 for the host of things that make up services. That's a 130% gain. And, for the first time, spending on services in 1960 took more than 40% of every dollar people spent.

Perhaps more important, this increase in spending for services is a long-established postwar trend that is still unabated, at least through 1960. In every year except three, the increase in services spending has topped the previous rise. For instance, people spent $3.1-billion more for services in 1949 than they did in 1948. Since then there has been an almost steady acceleration, with the peak gain last year amounting to $9-billion over 1959.

In contrast, consumers plunked down substantially more money for durables from one year to the next only three times in the 13-year span: in 1950, when the outbreak of the Korean War made it obvious they would be faced by hardgoods shortages; in 1955, when the auto industry sharply reduced down-payments and extended time payments; and in 1959, when the economy was shaking off the 1957-58 recession. In the other years, there were either modest gains or, as was the case in five of the 13 years, actual declines.

As far as softgoods are concerned, as might be expected, a growing population steadily spent more of its income to keep itself clothed and fed.

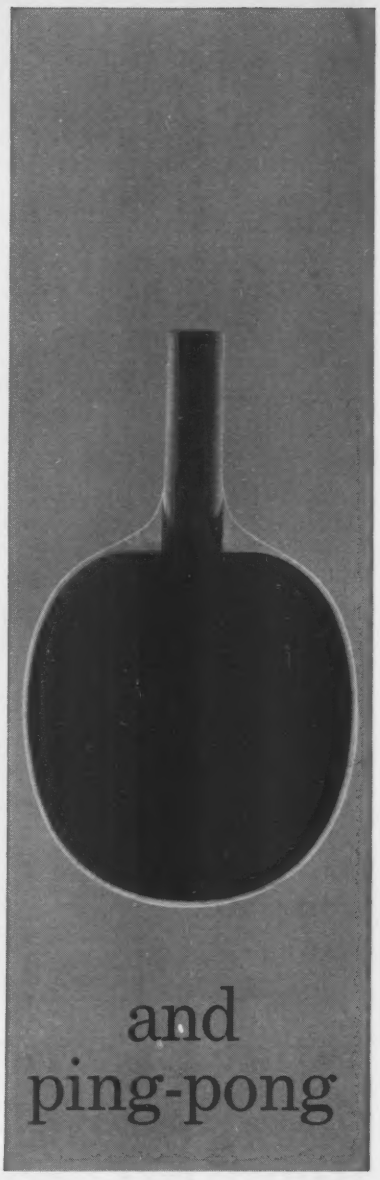
• **Well-Established Pattern**—All this suggests that people, since war's end, have shifted their habits pretty sharply—and that it hasn't been a recent or passing occurrence but a well-established pattern. How long will it last? It is popular to assume that growing families, which the U. S. experienced in the years right after the war, will give the vital hardgoods part of our production machinery a new shot in the arm. Right now we are in the trough of new family formations, and the 25-45 age group—because of the slow birth rate during the Great Depression. It's this part of the population that buys most of the durable goods. Once this condition corrects itself as wartime and early postwar babies grow up, many expect a great new boom. But a look at the figures shows that even in a period when there was a big growth in family formations, durable goods struggled to hold their own. Only in two years did people spend as much as 15¢ out of every dollar for hardgoods, in both cases because of abnormal conditions. So it's still a major question whether by the mid-Sixties a burst of new families will offset to any major extent the growing demand for services.

II. Self Serving

A lot of the blame for the added spending on services can be placed on rising prices. The cost of services has



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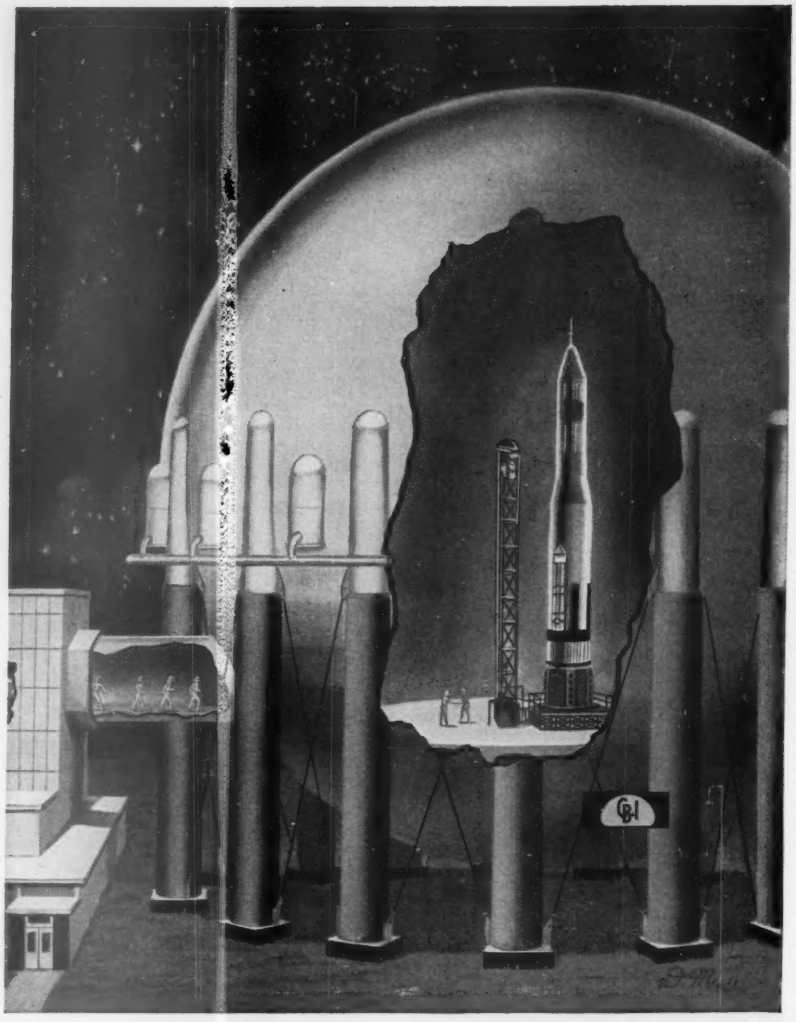
shot up considerably more than other prices. But that isn't the whole explanation; even when you take into account the extra price rise, services still beat out durables and nondurable spending increases. For some services, prices haven't risen much—and still people have boosted their spending for them, as a detailed analysis by the Federal Reserve Bank of Chicago shows. Take electricity and telephone rates, for example. They haven't risen so much as other prices. Yet people are spending far more on these items, so that now they account for almost 3% of total spending compared to less than 2% right after the war. More people have phones, they are using them more, and there is a trend toward more phones in every house. The same goes for electricity.

• **Many Choices**—You can run down other items—foreign travel has jumped from $850-million in 1949 to $2.1-billion in 1959. Why? Not because of higher prices; actually travel costs less, what with modern, fast planes. The reason is aggressive selling with the added fillip of pay-later tours and a public that is willing to forego, say, a new coat or appliance for the thrill of vacationing overseas. People are spending much more, too, for better housing.

Educational prices have risen, but people are still willing to lay out a great deal more for education—and especially higher education, which is not an absolute must. They are traveling around the country a lot more—by plane and by auto, despite the fact that fares have gone up and repair costs and insurance on automobiles have risen sharply.

Look at it another way and you see what a service-minded nation the U.S. has become. Except for autos, hardgoods prices for such things as appliances are actually less than they were a few years ago. The rise of discount houses, stiff price competition between manufacturers, and overcapacity all have resulted in far better buys now than right after the war. But there aren't so many takers. So people, despite obviously better values, still are willing to forego new goods for all the other things money can buy. One industry source figures that television sets, which used to be replaced every nine years or oftener, are now lasting 11 years. People are keeping their old cars longer, too.

Partly, this is because families are now older with growing teenagers who demand a big hunk of family income. But it also seems clear that, especially since the great burst of spending for goods in 1955, people have stubbornly resisted spending much more of their money for hardgoods, and instead have put their dollars elsewhere. **END**



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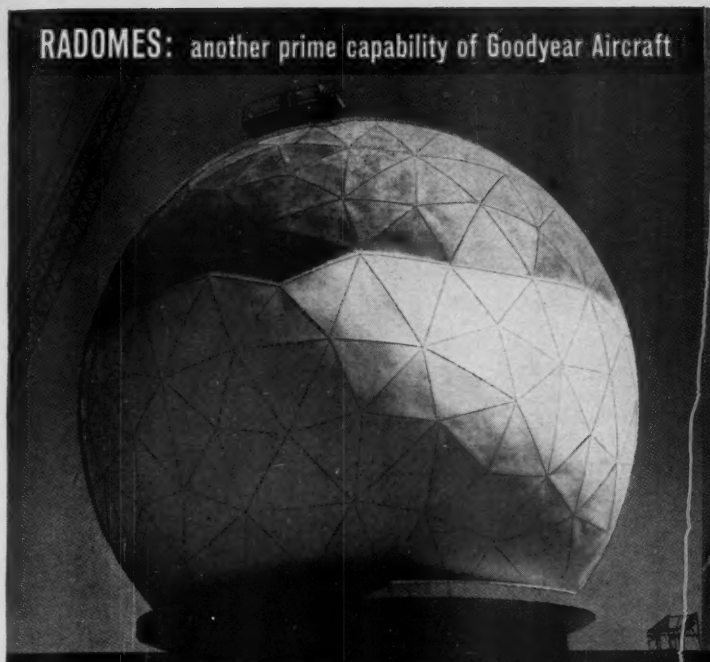
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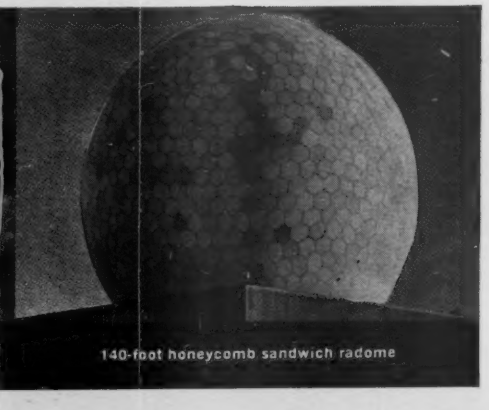
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NEW PRODUCTS



Easy Chairs Get a Remolding

Molded shell, not springs and horsehair, is basic element in new line of upholstered furniture, part of a trend that is reshaping the furniture business toward mass production.

In outward appearance the chair pictured on the opposite page—along with industrial designer Walter P. Baermann—doesn't seem far removed from the contemporary style. Yet beneath its familiar-looking exterior, it represents a summary of nearly all of the very newest technology, in materials and production methods, for making upholstered furniture. So too, perhaps, does its price—which will be about $75.

The chair is one of a new line of living room chairs and sofas that Baermann has just designed for the Prestige Furniture Corp., of Newton, N. C.

The component parts that make up the chair are the same as those shown separately in the picture. They are hardly the parts you would have expected to see in a piece of living room furniture a few years ago.

Then you would have looked for an assembly of coil springs, a wooden framework, and cotton or horsehair stuffing. Instead, the Baermann chair consists basically of a molded shell made of tough, resin-treated cellulose fiber; arms and back, shaped from polyurethane foam, that slip on the shell like gloves; a square, tubular steel base with wooden legs that screw into it; and a foam rubber seat cushion.

• **Revolution**—Baermann has created a rather extreme example of what can be done with the new technology in a product with a style appeal that is more or less traditional. Last month, Karpen Div. of Schnadig Corp. announced a new line of chairs, also representing late developments in furniture technology, but using a different process to create a somewhat different product (BW—Jan. 7'61,p69).

Both are part of a gradual revolution in materials and methods that is affecting most furniture manufacturers, especially those, like Prestige, that make moderately priced chairs and sofas in almost mass production quantities.

Things are beginning to change even in plants where expensive, custom quality furniture is manufactured. In the stock rooms of Heritage Furniture Inc., a North Carolina manufacturer of high quality furniture, piles of polyurethane foam slabs are grabbing floor space that used to be occupied by coils of wire springs. There are more bales of Dacron fiber than of horsehair down, and the big rolls of nylon fabric are just as richly textured and colorful as those containing wool and cotton.

• **Manmade Materials**—So more and more, man is making the raw materials as well as the furniture itself. This tendency began in the late 1940s and early 1950s with the general acceptance of foam rubber for upholstered seat cushions. Soon after, flexible polyurethane foam was developed—and this had cushion possibilities, although it was too expensive at first.

Then, in 1956, General Tire & Rubber Co. demonstrated a polyurethane foam that had all the desirable cushioning properties, yet was even cheaper than foam rubber. Other companies followed suit, and in the last couple of years, polyurethane has become at least an equal force with rubber in the foam cushion market.

• **Switching Over**—With foam to give chair and sofa cushions the needed comfort and bounce, the traditional coil spring assemblies have already disappeared from most low and moderate-priced lines. Furniture experts predict that they will be obsolete within a few years in expensive lines as well.

In other parts of the operation, Dacron and cellulose acetate are replacing horsehair and cotton. Upholstering fabrics come now in rayons, nylons, and acrylic fibers, and may soon appear in Dacron and the newest synthetics, such as Fortrel and Kodel. Glass fiber and other rigid resinous materials can replace wooden frameworks.

Both the consumer and the manufacturer gain from the use of these new materials. In many cases, the materials are cheaper than their old counterparts, bringing down production costs and retail prices of the finished product. Some can be handled by new techniques, such as molding, that cut way down on labor and speed up production. To top it off, they last longer and resist damage better.

• **Molding the Shell**—Designer Baermann claims he aimed at rock bottom economics and a fast production cycle in the new line, called the Image line, that he designed for Prestige. He used inexpensive new materials, and production techniques that would require a minimal work force.

The framework of the Image line chairs is a shell made of cellulose fiber. These shells are molded by Hawley Products Co. of St. Charles, Ill. Hawley, which makes luggage, auto parts, and rocket nose cones out of the same material, says it has one of the highest known strength-to-weight ratios.

To make the shells, loose, individual fibers of mashed wood pulp are soaked, along with resin compounds, in a vat of water to form a slurry. At the bottom of the vat, there is a porous die, with a screen surface, shaped like the finished shell. A vacuum pump is turned on at the underside of the die. The water is sucked through the screen, but the resin-treated fibers can't get through, so they build up into a contoured form of the finished article.

Finally, the shell form is heated to drive off the remaining moisture and cure the resin.

• **Assembling the Chair**—The Bostrom Corp. of Milwaukee, Wis., molds the polyurethane arms and backrests for Prestige. To make a chair, Prestige simply slips these foam parts onto a shell and cements them in place. Then it bolts the steel base to the bottom of the shell, screws in the legs, and zips on the upholstery fabric. If Prestige wants to make a sofa, it cuts one of the chair forms in half, and fits in an insert of the same materials. Thus, additional molds and dies aren't required. By using different foam parts, chairs of different styles can be assembled on the same shell.

All Prestige needs, says Baermann, to turn out 1,000 chairs a day with a work force of only 35 men is an automobile-like assembly line and a sewing room. These chairs, which will begin hitting the market at the beginning of March, will sell for about $75 apiece; that compares with $135 to $150 for the same type of chair, manufactured with more conventional materials by older methods.

• **Varied Techniques**—This is one example of the design flexibility that's gained by molding foams and fibers, and of the wide variety of techniques recently developed by furniture manufacturers in the low-to-moderate price field. Karpen Div. uses a different technique to mold a one-piece polyurethane foam chair around a tubular steel framework.

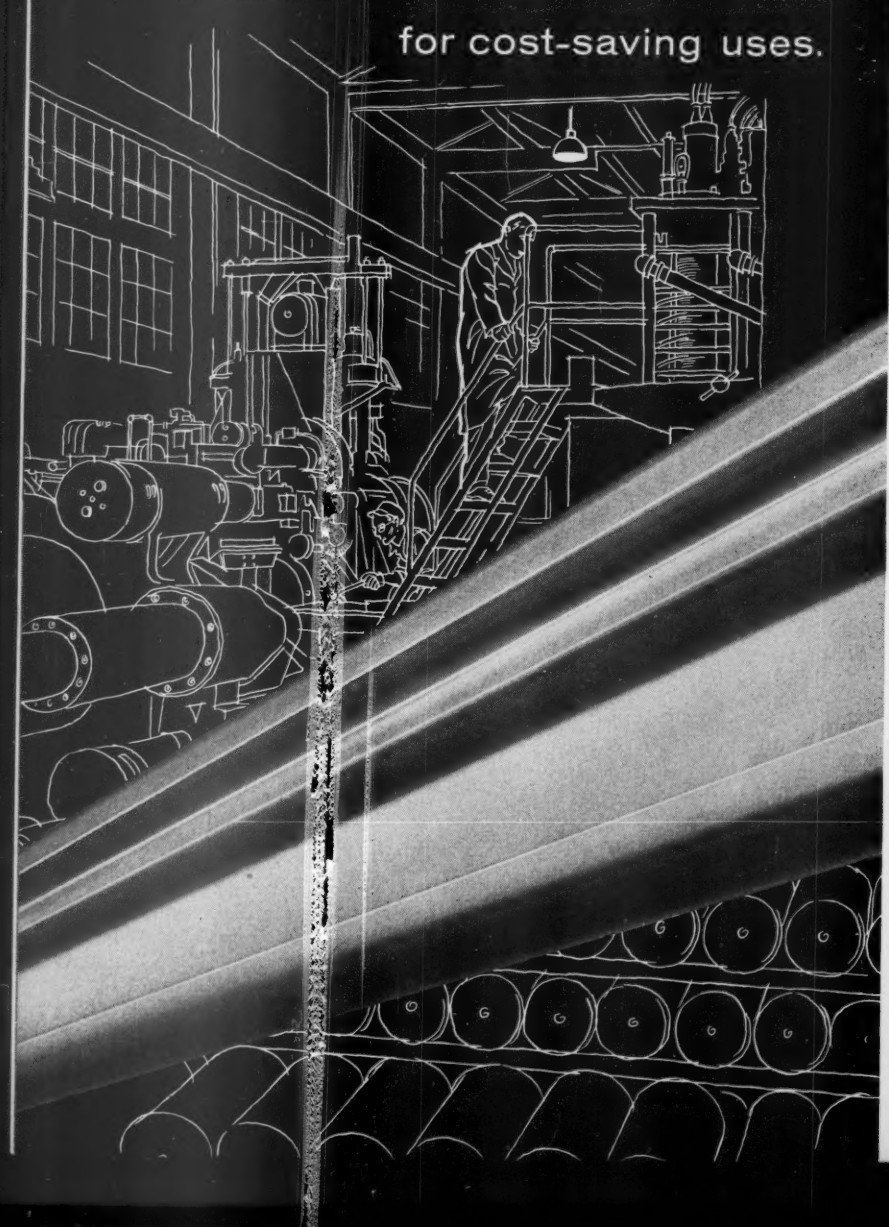
Another method, known as the Plastmoebler process, was developed in Norway, but is licensed by several U.S. companies, including No-Sag Spring Co. of Detroit, Futorian-Stratford Furniture Co. of Chicago, and J. L. Chase Chair Div. of Schnadig Corp.

The basic ingredient for the Plast-

DESIGNER Walter P. Baermann surveys his finished chair and its four easy-to-make parts—(from top) molded arms and back of polyurethane foam, which fit like glove over molded shell of cellulose fiber; foam rubber cushion; base with screwed-in legs.

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moebler process is an expanded bead of polystyrene crystal. When these beads are poured into a mold and heated, they expand and foam, creating a solid mass that fills the mold and forms a shell. The shell is attached to a frame, and upholstered with foam rubber or polyurethane and fabric.

Kroehler Mfg. Co. in Naperville, Ill., one of biggest producers of medium-price upholstered furniture, makes a line of what it calls "foam-on-foam" chairs and sofas. These use a conventional hardwood frame, but the only springs are a row of small spiral springs attached to the back rail of the frame. For support, there is a 4-in.-thick underseat of polyurethane foam on top of this, another 4-in.-thick upholstered foam cushion.

• **Cooked to Order**—A still different kind of operation turns out a line of office and institutional upholstered chairs—to which chairs and a love seat for the home have just recently been added—for Thaden Molding Corp. in High Point, N. C. Thaden's chairs, based on a glass fiber shell, are presently made in a basement shop by a handful of workers—but even so, 50 to 100 chairs a day are readied for market.

The production process at Thaden goes like this: Pieces of burlap cloth, sisal matting (sisal is a natural fiber, like hemp), and glass fiber cloth or roving are cut to shape and sprayed with polyester resin. These are laid in layers, one on top of the other—with an outside layer of burlap on each side—into a large bowl-shaped mold, from which the air is removed with a vacuum pump. The whole bowl goes into an oven, and the ingredients are cooked for 20 or 30 minutes.

The chair shells that emerge from the mold have bucket seats, form-fitting backs, and curved lips around the edges. Dr. Bernard Gutterman, Thaden's burly vice-president, likes to demonstrate their strength by jumping up and down on them with his 200-plus lb.

• **Tricky**—Thaden has a tricky way of upholstering the shells. The burlap layer on the upper side of the seat has a zipper in it—or rather, one of the two halves of a zipper. A chopped-up mixture of foam rubber and polyurethane foam is dumped into the seat, and thin slabs of die-cut polyurethane foam are stapled in place for cushioning. But this is done in such a way as to leave the zipper edge protruding.

The other half of the zipper is attached to the fabric or plastic upholstery. Thus, when the zipper is zipped together, the middle of the upholstery fabric is attached to the seat; and its edges are tucked into the bordering lip that has been molded into the edges of the shell.

• **From the Bottom Up**—New technology in the furniture industry almost al

ways springs up first in lower-priced lines, and only slowly filters upward into high quality and custom furniture. The manufacturers of expensive furniture don't have the same compelling motive for reducing material and labor costs. They are conservative because they know that the traditional has been proven by experience. So they prefer to wait and see how new materials and methods behave in long-term use.

Burroughs Computer Sets Up Own Program

Burroughs Corp. unveiled a big solid-state computer this week—the B5000. Burroughs claims the new model has the jump on competitors in several important respects:

• The new Burroughs computer is the first designed specifically for automatic programing. Using special compilers, it automatically translates familiar algebra for scientific and engineering problems (ALGOL) and English-language statements for business data-processing (COBOL) into machine language. This avoids the drudgery of conventional programing.

• The B5000 is modular; it can be expanded or reduced in size without reprograming the whole system. The computer immediately recognizes when system parts have been added or taken away and adjusts to its new capacity.

• The system has a master control program that schedules and keeps tab on the computer's workload, automatically bypasses certain units if they're out of order, and lets the operator know when there's a malfunction or when the operator has made a mistake. The computer checks itself periodically—either during or after processing—to be sure all parts are working correctly.

Burroughs Pres. Ray R. Eppert stresses the self-regulating ability and the versatility of the B5000. "The computer industry," Eppert says, "has been engaged in a horsepower race just like the auto industry. What we want is to get back to the basic objective of a computer: to solve problems without creating even bigger ones."

One way it does this is by multiprocessing. Two or more completely independent programs can be run through the computer simultaneously. While printing the results of one job, the B5000 can hum along on other entirely different problems and take in raw data on still another job. Burroughs will begin deliveries in 18 months.

Rental on the B5000 will run from $13,500 to $50,000 a month, depending on the system's size. The selling price ranges from $540,000 to $2-million. **END**

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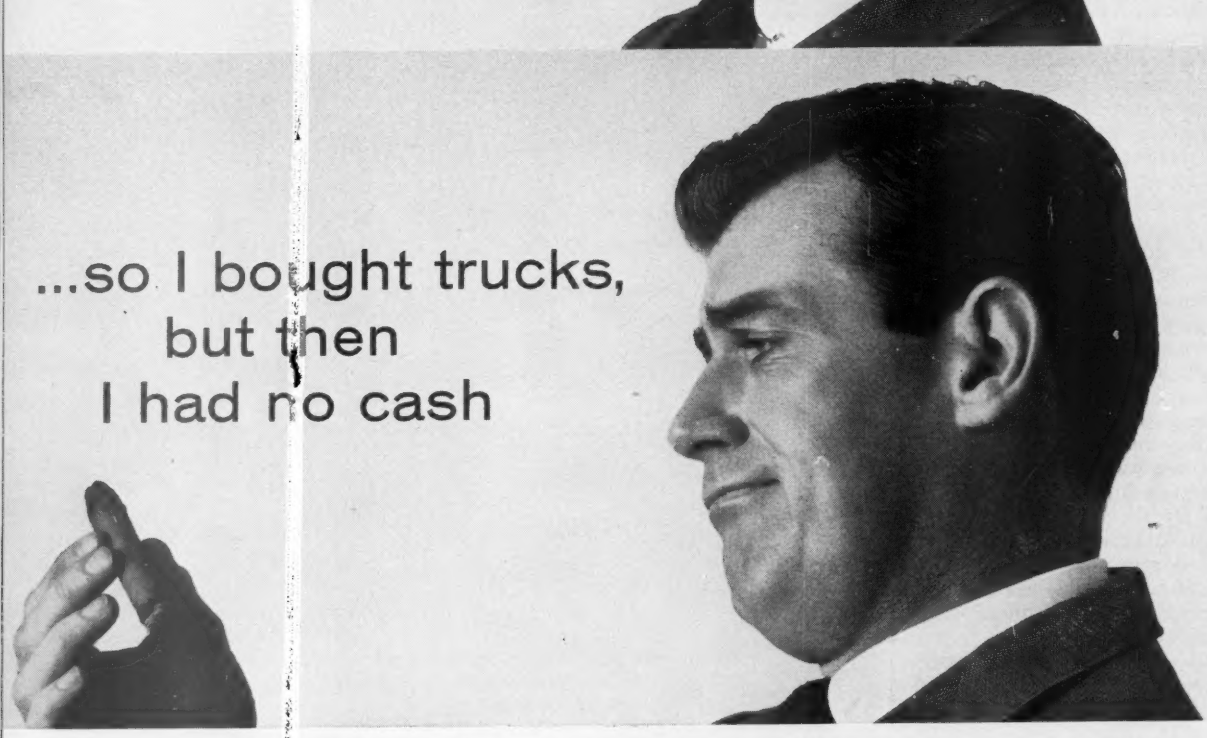
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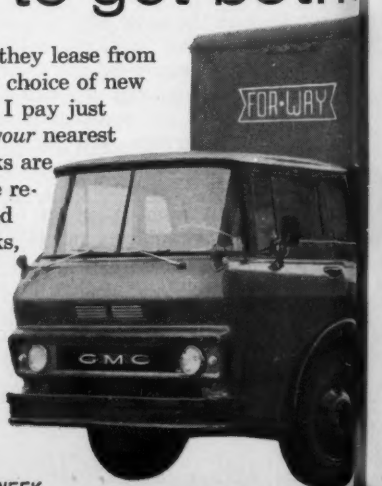


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Alaska Gas Deal Bogs Down

When Houston's Robert B. Baldwin became convinced during a trip to Alaska two years ago that piped natural gas was the inevitable fuel of Alaskan cities, he moved fast with a plan to get first crack at the markets he saw.

Anchorage was the obvious place as a starter. Besides being Alaska's largest city, it was only 80 mi. or so from gas sources being developed on the Kenai Peninsula (map).

Baldwin's plan was two-pronged. He would sell gas as a utility to Anchorage, and build a pipeline to it from the Kenai. The pipeline would put him in a fine tactical position to feed gas to the rest of Alaska if a statewide pipeline system ever was developed.

• **Fast Start**—In the next year and a half Baldwin fought for and got a franchise from the Anchorage City Council, which made his Anchorage Natural Gas Corp. the sole distributor of gas in Anchorage. He organized the Alaska Pipeline Co. as parent of Anchorage Natural Gas to build the line from the Kenai to Anchorage. He built a grid within Anchorage.

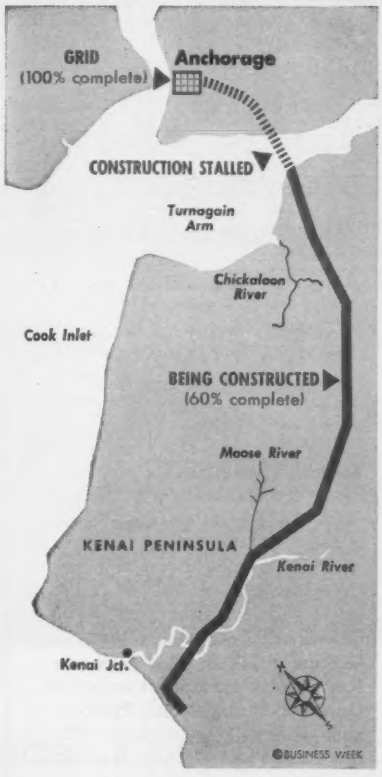
Then when Union Oil Co. of California and Ohio Oil Co. brought in the first well on the Kenai, Baldwin signed a contract that gave the two producers exclusive rights to supply all the gas that would go through his line. They, in turn, provided 50% of Alaska Pipeline's $2.6-million capitalization by purchasing nonvoting stock. Finally, Baldwin got commitments from three insurance companies to lend Alaska Pipeline $16.8-million.

With all this behind him by last summer, Baldwin was a businessmen elated over a deal going exactly right. He was scheduled to deliver gas to more than 1,000 Anchorage customers in November, 1960, and as far as he could tell he would do it. His pipeline had advanced most of the 65 mi. up the Kenai (map), and was ready to cross Turnagain Arm, an inlet separating the Peninsula and Anchorage. At the wellhead, gas was ready to flow out of the ground at a pressure of 1,300 psi.—enough to take it all the way to Anchorage without a single compressor station en route.

• **Profit Outlook**—The outlook for profits was good, too. Though he was committed to deliver natural gas to Anchorage residents at prices averaging 25% less than they were used to paying for coal, bottled gas, fuel oil, and electricity, Baldwin would still be charging higher prices than gas fetches most anywhere else in the U. S. Baldwin estimated conservatively an annual return on his investment of 7½% for 20 years. Actually, he figured on doing much better than that, since his pipeline would one day be a key link of distribution to other cities.

• **Construction Failure**—By the middle of October, Baldwin's elation had changed to apprehension. His timetable, which had been working so well, was completely upset by the failure of his pipeline contractor, Houston's Sharman, Allen, Gay & Taylor, to lay a dual line across the 8½ mi. of Turnagain Arm (picture, below). The inlet,

Alaska Pipeline's Route From the Kenai to Anchorage





OBSTACLE to completion of pipeline is Turnagain Arm, a treacherous inlet when its 34-ft. tide rises above its mucky floor.

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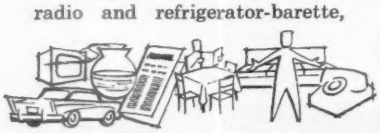
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which is constantly roiled by strong northwest winds, has mean tides of 34 ft. In October, the contractor's superintendent, after trying to make the crossing since August, announced to Anchorage newspapers: "It can't be done," then gave up. Now, the Turnagain is filled with ice, and the crossing is stymied until spring.

• **Big Headache**—The delay has left Baldwin with these problems and losses:

• Lost for good are this winter's sales of gas to at least 1,000 customers.

• Since Baldwin's Anchorage franchise states he must deliver gas by Dec. 31, 1961, his pipeline must cross Turnagain Arm next summer. Thus, he must decide whether to get Sharman, Allen, Gay & Taylor to try again, or talk to the two or three other contractors in the world who conceivably could do the job.

• Baldwin's final major problem is one that would have come along whether or not his pipeline got across the Turnagain Arm last year. Since he made his exclusive deal with Union Oil and Ohio Oil, another major gas discovery has been made by Michel T. Halbouty, a Houston operator. Halbouty naturally wants to move his gas off the Kenai, but under the present supply contract, Baldwin can't buy from him. For his part, Halbouty already has said: "I'm not going to sit idly by and watch Union and Ohio be the only suppliers of gas while I sweat out what I'm going to do with mine."

This problem will become even more pressing for Baldwin since other operators on the Kenai—including some of the biggest U. S. oil companies—are expected to find gas eventually, too. They also can be expected not to sit by and do nothing. One solution already being proposed is to get the Alaskan legislature to make Alaska Pipeline a common carrier, thus forcing Baldwin to take gas from other suppliers. Though nobody is saying much about it, another solution would be for Union Oil and Ohio Oil to buy the gas of other producers and send it through the line.

At the moment, all Baldwin, himself, can do is reflect on the advisability of his original confining tie-up with the two oil companies.

• **Exploratory Trip**—The path that led Baldwin to his present dilemma started in the summer of 1958 when he went to Anchorage to size up some investment possibilities.

"I was just looking," says Baldwin, but he discovered that Ohio Oil, Union Oil, and other companies were finding oil and "gas shows." At the same time, heating and cooking fuel prices in Alaska were far higher than prices in other states.

Satisfied that a substantial market existed for less expensive fuel and that ample supplies were only a matter of time, Baldwin hurried back to Houston, where he and a group of close friends put up an initial $50,000 "to explore the possibilities."

• **Franchise Fight**—In March, 1959, he returned to Anchorage, sought out the City Council and asked for 20 years of exclusive rights. The offer he made was impressive. He proposed to build a grid distribution system at no cost to Anchorage, then provide fuel more cheaply and more conveniently.

Though the council approved of Baldwin's proposal, it decided to throw the issue to a referendum, setting a date for voting in October.

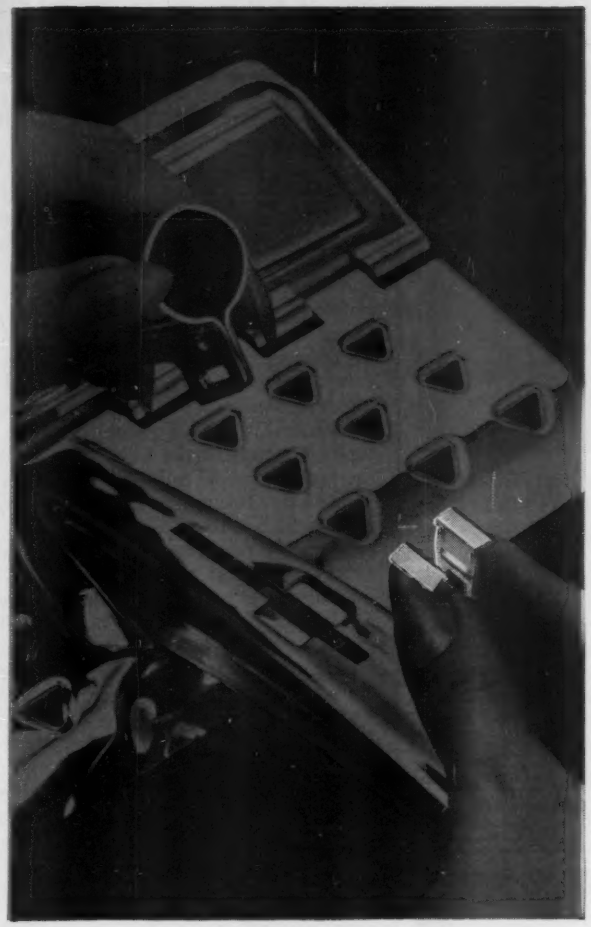
The principal competition came from Henry Zenzie, who had been with Ira Haupt & Co., a New York brokerage house that underwrote an $8-million bond issue for the Port of Anchorage. Zenzie organized the Consumers' Gas Corp., capitalizing at $2,000. He filed an application for a franchise, then joined some local citizens' opposition against the Baldwin application. All through the summer of 1959, some independent Anchorage civic leaders, and to a lesser extent Zenzie, hammered away at Baldwin with a platform that said in effect: "Don't give it away to the rich Texans." Through an intensive newspaper ad campaign Baldwin countered with promises of better, cheaper fuel, using the slogan, "Save 25% of your fuel bill next winter."

Baldwin also enlisted local support by getting some prominent Anchorage people to invest in the venture. He also offered to pick up part of the referendum costs, which he later did.

At this point—in the summer and fall of 1959—neither Baldwin nor Zenzie knew whether or when they could supply natural gas. The franchise each was seeking, in fact, would have permitted them to supply natural or manufactured gas. Baldwin's company, Anchorage Natural Gas, planned to distribute imported propane if it had to. Zenzie was considering producing gas from a coking operation utilizing local coal.

As it turned out Baldwin's hedge to use propane wasn't needed. In September, just a month before the referendum, Ohio Oil Co. and Union Oil of California, jointly brought in the first well. The gas was nearly 100% methane, and needed no processing. It was also a big enough find to supply all that Anchorage would need in the foreseeable future.

• **Supply Contract**—Baldwin immediately negotiated a contract with Ohio Oil and Union Oil. The price was 32½¢ per mcf. for five years, with escalation clauses upping the price every five years after. This was an attractive initial price for the two suppliers. Elsewhere in the U. S., deals like this one usually were made at prices about 10¢ less per





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mcf. In addition, Union Oil and Ohio Oil would have an immediate and convenient market.

Baldwin's confidence in signing a contract was well taken. When the votes were counted in the October referendum a month later, he won easily by a 2-to-1 margin.

• **Financing**—His next move was to get a pipeline built, so Baldwin went to three New York insurance companies for financing. It was relatively easy negotiating. He had behind him capitalization backed by Union Oil and Ohio Oil, a franchise from Anchorage, proved gas reserves, and a ready market. Three companies offered commitments totaling $16.8-million. Metropolitan Life Insurance Co. and Equitable Life Assurance Society of the U.S. committed themselves to $7-million each. New York Life Insurance Co. agreed to put up $2.8-million.

With the financing set, Baldwin now needed an expert pipeline builder. No ordinary one would do. There were 64½ mi. of pipe to be laid over rugged muskeg country between the wellhead near Kenai Junction and the water at Turnagain Arm. Then there was the 8½-mi. crossing at Turnagain Arm. Anticipating an expanding market, Baldwin wanted two 12¾-in. pipes laid under this treacherous stretch of water. After the underwater crossing, there would be 9 mi. more to Anchorage itself, then construction of the grid distribution system. Baldwin estimated it would cost $12.75-million to build all this.

Despite the obvious hazards of Turnagain, three "pros" put in their bids. Sharman, Allen, Gay & Taylor, which is a subsidiary of J. Ray McDermott & Co., got the job as low bidder. Losing out in the bidding were S. V. "Sammy" Collins, head of Collins Construction Co. in Port Lavaca, Tex., and Brown & Root, Inc., of Houston.

• **Uncompleted Job**—Construction began early last spring, but when the contractor's superintendent admitted failure in October, the line from the wellhead to the water was only 60% completed; none of the line across the Turnagain had been laid, nor had any of the 9 mi. to Anchorage been completed. The grid system was the only section finished.

This is exactly how the construction stands today. Baldwin has no chance at all now to begin again until spring.

Meanwhile, the Sharman, Allen, Gay & Taylor contract expired Oct. 31, and although Baldwin says "the same contractor still has the job," no new contract has been signed. Baldwin avoids discussing whether the contractor will be asked for penalties for not performing, instead prefers to say that no losses have been determined yet.

What Baldwin will do is undecided. What he says is: "We will be delivering gas to Anchorage next winter." **END**

INTERNATIONAL OUTLOOK

BUSINESS WEEK
FEB. 18, 1961



The violent Soviet reaction to Patrice Lumumba's death is forcing the Kennedy Administration to reassess its chances of improving East-West relations.

Kennedy had hoped to be ready within four or five months to start negotiating with Moscow on a broad front (BW—Feb.11'61,p73). The State Dept. had even advised Nikita Khrushchev not to heat up any of the world's trouble spots while Kennedy was getting his ducks in a row.

Now it looks as if U. S.-Soviet relations soon will be back to where they were during the last months of the Eisenhower Administration. Khrushchev seems to be using Lumumba's death in much the same way that he used the U-2 incident.

Soviet accusations, threats, and demands go pretty far.

Moscow has officially accused U. N. Secy. General Dag Hammarskjold of being "an accomplice and organizer of the murder" of Lumumba. On these grounds, the Soviets demand his removal from office and also the withdrawal of all U. N. forces from the Congo. Note, too, that Moscow has promised all-out support to the pro-Communist regime in Oriental Province (once Lumumba's stronghold).

Moscow also has its guns trained on Belgium for the support it has given the anti-Lumumba forces in Leopoldville and Katanga Province. The Belgians, too, are supposed to get out of the Congo in a hurry. At midweek, Belgian embassies were being stoned or sacked in almost every Communist nation. In Cairo, the Belgian embassy was actually burned.

Add it up, and you get this picture of Soviet intentions:

- **Khrushchev has decided to get Hammarskjold's head** this time. Obviously the Soviet Premier wants to turn the U. N. into a pure propaganda platform.
- **Moscow will try to keep the Congo divided and in turmoil,** though things won't be pushed to the point of outright Soviet military intervention.

Soviet influence will be used to prevent peaceful solutions wherever there is trouble in Africa, even in the case of the Algerian struggle.

The U. S. is throwing its full weight behind Hammarskjold and the U. N. You can tell that from the way Ambassador Adlai Stevenson spoke at the U. N. on Wednesday, and from the firm language Pres. Kennedy used in his press conference.

At the same time, Washington will continue its efforts to win African and Asian support for a compromise political solution in the Congo. One idea is to get the armed factions out of politics by creating a federation of rival tribal and regional groups. Meanwhile, Kennedy says that Pres. Kasavubu's government—denounced by Moscow—is the only one with the right to speak for the Congo.

Both at the U. N. and in the Congo, the Soviets may be overplaying their hand. Moscow's fantastic charges against Hammarskjold haven't gone down well with most African and Asian nations. Knowing this, the Secretary General has flatly refused to resign and has put his fate up to these nations.

Then, in the Congo itself, there is no national identification with Lumumba. Nor is there any solid base in Oriental Province for a strong pro-Soviet state.

Moscow's new offensive against the West already has shifted Kennedy's thinking on whether or not to seek an informal meeting with Khrushchev during the spring session of the U. N. General Assembly. The President had just about decided that this would be a good idea. Now he will hold off until he sees just how far Khrushchev intends to push things in the Congo and at the U. N.

At midweek, though, Washington still was planning to resume the Geneva negotiations for a ban on military nuclear tests. The Administration feels a test-ban agreement is possible and desirable even if East-West political tensions remain high. However, it's a safe bet that Washington is now less optimistic than it was about the chances for broad arms control negotiations.

—•—

The next few months will be critical ones for Fidel Castro's government in Cuba. Two forces are facing toward a head-on collision:

- On one side is the opposition aroused by the Cuban government's purges and by the island's economic distress. Some of this resistance is passive, but some of it is armed and violent.
- On the other side is the Castro regime, with a weakening popular following but a government machine capable of consolidating its power and establishing a police state.

The question is whether Castro can lock a firm grip on Cuba before the opposition throws him out. Working in his favor are the Communists, who are backing him fully with economic and military help. Against Castro are political and economic pressures from within Cuba and from the rest of the Western Hemisphere.

Whatever happens, Castro will be an asset to the Communists for a long time to come.

So long as he remains in power, Castro gives the Communists an open channel into the rest of Latin America through that loosely constructed movement called Fidelism (page 61).

If Castro departs, whether by an assassin's bullet or political overthrow, the Communists will make him a martyr, as they have Patrice Lumumba. They will use his image to further the spread of Communist-controlled Fidelism.

—•—

The International Cooperation Administration (ICA) has informed recipients of its economic aid that the U. S. no longer will pay transportation costs unless aid goods are moved in U. S.-owned vessels.

The new policy, however, won't increase the use of U. S. ships for some months. **There's a backlog of shipments already scheduled for foreign vessels, to which the new policy doesn't apply.**

This shift in ICA policy is meant to reduce the U. S. balance-of-payments deficit by cutting down on dollars going to foreign shipping companies. Also behind the order is pressure from the U. S. shipping industry, which has been suffering from the competition of lower-cost foreign shipping.

The new transport requirement will raise ICA costs. Some aid-receiving nations are grumbling, fearing that this will reduce the amount of aid they will get in goods. Maritime nations are also unhappy over the prospective loss of business.

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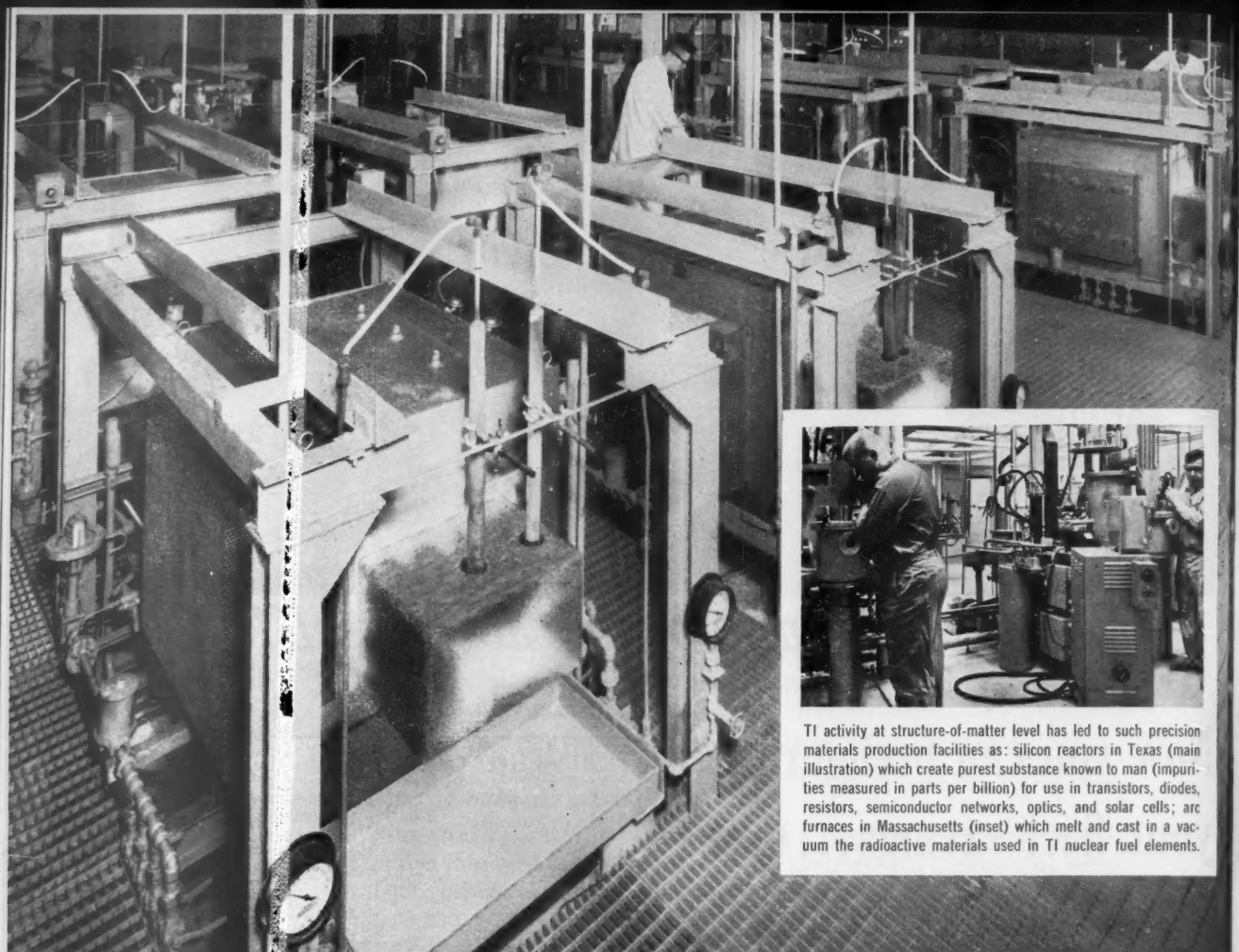
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Oettershagen, a Republican, Gets Top Seaway Post in Patronage Mixup

Pres. Kennedy has appointed at least one more Republican to his Administration than he intended—Martin W. Oettershagen as administrator of the St. Lawrence Seaway.

The appointment resulted from misinterpretation of a casual mention by Chicago's Mayor Richard Daley that the 69-year-old Oettershagen, acting administrator of the Seaway, would like to retire in December as administrator.

Kennedy took Daley's remark as a firm request and considered himself committed to fulfill it. Oettershagen had been a Democrat when he was a Chicago port official, but has been a Republican for five years.

Meanwhile, **Kennedy's patronage people had committed themselves to selecting a faithful Democratic Party worker and fund raiser for the top Seaway job—Joseph H. McCann of Michigan.** McCann had the backing of the entire Michigan Congressional delegation, and negotiations had proceeded to the point where Gov. John B. Swainson had informed him that Kennedy would announce the appointment shortly.

The 45-year-old McCann decided to ease the President's embarrassment by agreeing to accept nomination as deputy administrator, with the "personal assurances" of Kennedy that he will get the top job in December on Oettershagen's retirement.

The White House says that Oettershagen was appointed purposely to give McCann, a stranger to Seaway operations, time to break into the job.

• • •

Government Contracts to Jobless Areas Put at $444-Million in Third Quarter 1960

Federal government procurement awards to areas of labor surplus during the July-September quarter of 1960 totaled $444-million in contracts for supplies, services, and construction, the Commerce Dept. has announced.

The announcement marks the first time that total government figures on procurement activity in surplus labor areas have been compiled. Heretofore, only Defense Dept. figures have been released.

Begun under the Eisenhower Administration, the task of compiling figures for the third quarter of last year took 139 days. The Commerce Dept. hopes that its future quarterly reports will be issued 50 to 60 days after the end of the period.

The funds went to some 146 areas of labor surplus, with more than a third—$156-million—to 79 areas of persistent or chronic unemployment. The largest sum for any area was $58-million to Buffalo, N. Y., classified as a "nonpersistent" unemployment area. Next largest was $52-million to Lawrence-Haverhill, Mass., an area of persistent labor surplus. Others were $45-million to Pittsburgh, $37-million to Baton Rouge, La., $36-million to Patterson-Clifton-Passaic, N. J., and $30-million to Detroit.

Largest share of the federal awards to labor surplus areas was accounted for by $407-million from the Defense Dept. Federal civilian agencies awarded $37-million for supplies and construction.

• • •

Confirmation of Minow as FCC Chairman Augurs Competitive TV, Use of UHF Bands

Senate confirmation of Newton Minow as chairman of the Federal Communications Commission portends broad use of UHF as well as VHF channels, and efforts to create competitive telecasting in the nation's major market areas.

When asked if he was familiar with the problem of UHF and VHF allocation of the spectrum, Minow replied: "I am, and this is one of the very high priority items that has got to be moved ahead to a decision, because **if we are going to have a truly nationwide competitive system, we are going to have to somehow find a way to use all the channels that are available.**" The FCC has been wrestling with this problem for several years, without reaching any conclusion.

Minow, a youthful 35, and former law partner of Adlai Stevenson, so favorably impressed senators at his nomination hearing that he won pledges of support from Republicans, including Sen. Everett M. Dirksen of Illinois, GOP Senate leader.

• • •

ICC Announces Reorganization Move To Speed Up Its Operations

The Interstate Commerce Commission has taken a third major step in less than a month to speed its handling of thousands of ratemaking and regulatory cases involving railroads, truckers, and barge lines. It has approved, effective Mar. 1, a reorganization that will expand the powers of its chairman and create a new office of vice-chairman.

Under the plan, **the chairman will become the full-fledged executive and administrative chief of ICC, and the present system under which administrative chores are divided among the 11 commissioners will be abandoned.** The idea is to give the commission centralized direction and free commissioners other than the chairman of burdens that hinder them in expediting important decisions.

Earlier, the ICC sharply limited the number of appeals that the full commission will accept from lower-level divisions and hearing examiners. It also set up six special employees boards to dispose of certain uncontested applications and proceedings. The reorganization is the ICC's answer to complaints from both Congressional committees and the Kennedy Administration that regulatory agencies are plagued by time-consuming delays and ineffective leadership.

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Another Crisis for Metro

Resignation—under fire—of the chief officer of Dade County raises new questions about the workings of its metropolitan government.

The metropolitan government of Dade County (Miami), Fla.—the only one adopted in the U.S. in modern times—suffered its greatest crisis this week when its chief executive officer quit under fire.

County Manager O. W. Campbell himself agrees that his resignation does not foreshadow doom for Miami's Metro, but metropolitan government experts elsewhere—aware of Metro's agonies as well as of the obstacles to metropolitan government in other areas—believe that his departure will cause many communities to consider their metropolitan difficulties in a new light.

Although Campbell's resignation had been expected off and on, it was sudden when it came. He quit two minutes after being told by Chmn. Robert M. Haverfield of the Board of County Commissioners to quit or be fired. The decision to force this issue came at a breakfast in a Miami hotel just an hour before the weekly commission meeting. Twelve of the 13 commissioners were present: they voted 10-to-2 against Campbell.

• **Under Fire**—Campbell had taken the $35,000 job on Sept. 1, 1957, shortly after Metro was created, and has had to fight demands for his scalp almost from the beginning. The demands were aimed both at Campbell himself and, beyond him, at Metro. Critics accused Campbell of failing to provide leadership. Friends, while conceding that Campbell regarded himself more as an administrator than as an innovator and leader, say his opponents were mad because Campbell would not "play ball" with them. But, all the while, voters backed Metro by rejecting proposals to weaken it.

While the bickering went on, other communities studied Metro closely. Of the nation's population growth during the 1950s, about 80% occurred in metropolitan areas, and 80% of that took place outside the central cities—causing new governments to be incorporated and straining the capacities of old ones until there were far too many governments, providing services unevenly and taxing inequitably. Dade County, for instance, grew 85.4%—to 917,861—and almost all of this growth was in the 25 cities and unincorporated land outside Miami.

• **An Experiment**—To end this jumble, the Miami Metro experiment was regarded as a possibility. Voters in a number of cities (such as Nashville) rejected all-out consolidation of cities and counties (as Dade voters had). Apparently they did not want a new, super level of government like the one Toronto got. Greater Miami, in one swoop, simply converted the old county government into a new one with metropolitan functions. It left to the individual cities those services that were not areawide. Such a solution, experts felt, might work in the majority of the 215 metropolitan areas that are confined to one county.

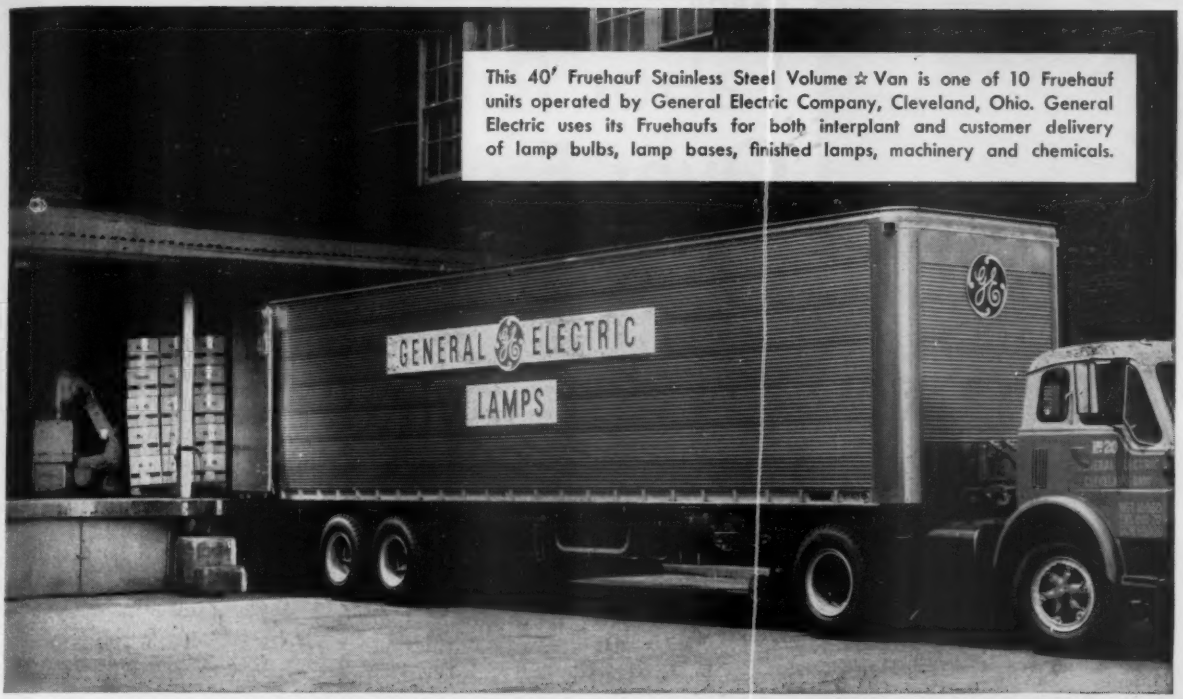
But before long, political scientists came around to the view that the urban county principle might be a good one but it was being tried out in an untypical place and thereby should not be judged too harshly. Dade County, they discovered, has grown so fast that the average length of residence of its people is short; they have not developed strong roots. Moreover, no strong civic leadership has asserted itself. In addition, Metro doesn't provide for an independently elected political leader who could lead Metro and fight off opposition the way an appointed manager couldn't do.

• **Miracle of Survival**—After resigning, Campbell agreed somewhat with the outsiders' diagnosis. "The basic trouble is lack of community stability," he said. "The commissioners merely reflect this. Politics is the main weakness in the commission, but more important is the lack of a community tradition of public service. Everyone thinks in terms of politics—not just the politicians."

In view of these conditions, he says, it was a wonder that both he and Metro survived this long.

Campbell acknowledges that Metro has not produced the miracles that many in the county expected of it, but he thinks it has made progress—reduction and coordination of county departments, new budget practices, starts at planning, water and sewer improvements, transit, and a seaport; uniform traffic planning and law enforcement; and a thorough reassessment that may lighten the load on industrial and commercial taxpayers.

Of the rumored successors, the leading one appears to be E. A. Evans, former city manager of Miami who originally supported Metro but fought it when Campbell got the county manager's job. In his long tenure in Miami, he won a reputation for getting along with politicians. **END**



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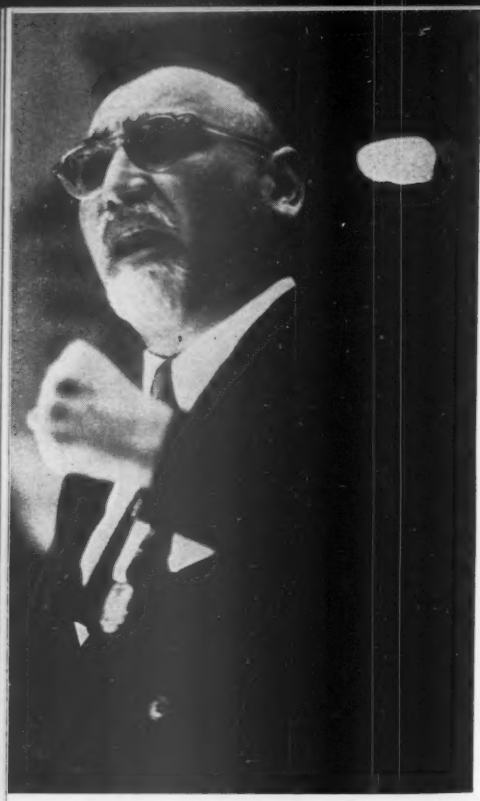
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LABOR

Labor Rift Grows Over Free Trade



JACOB S. POTOFSKY, head of Amalgamated Clothing Workers, favors action against imports causing unemployment.

STANLEY H. RUTTENBERG, AFL-CIO economist, pushes free trade policy, says main cause of joblessness is automation.



Organized labor's traditional free trade policy is under strong pressure from unions that claim they are hurt by domestic unemployment due to imports. Protectionist sentiment is spreading. It has already reached proportions in labor new to the postwar world.

This is a potentially important development. Labor's support has been a bulwark to the Reciprocal Trade Agreements program. Increased protectionist sentiment among unions—if it influences labor's allies in Congress—could have a bearing on the future of the trade act.

In addition, the growing protectionist feeling is creating a sharp rift in AFL-CIO over trade policies. This could be a critical issue before AFL-CIO's biennial convention in the fall.

So far, the restiveness of unions hasn't changed AFL-CIO's official position on free trade. The federation is as worried as its unions about imports, but it feels—strongly—that a protectionist policy would do more general harm than specific good at this time.

• **Council Debate**—AFL-CIO will make this clear at its midwinter executive council meeting in Miami Beach next week. Import problems will be a major issue, and a wrangle can be expected in which these developments will play a major part:

• This week, Jacob S. Potofsky, president of the Amalgamated Clothing Workers of America and an AFL-CIO vice-president, called on ACWA's executive board for official ratification of a boycott beginning May 1 against Japanese fabrics—a protectionist strategy planned to force a quota system for imports of men's suits and shirts. Japanese fabrics handled by ACWA tailors represent a bigger dollar volume of exports for the Japanese than shipments of suits and shirts to this country.

• Next week, AFL-CIO's free trade bloc (largely centered in the old CIO) will press for a strong reaffirmation of the federation's policy against boycotts, high tariffs, and other bars to imports. They will be armed with a new white paper on foreign trade, drafted by federation economist Stanley H. Ruttenberg and his associates.

There's little doubt that the free trade bloc will win, with the strong backing of AFL-CIO Pres. George Meany, Walter Reuther of the United Auto Workers, and other powerful free traders. Nevertheless, the debate is expected to show that protectionists carry weight in at least one-third of the federation's affiliates.

• **Don't Rock the Boat**—The executive council's official position is expected to be: Don't rock the foreign trade boat—particularly now.

That is, the council's admonition to AFL-CIO unions will be to avoid "unsettling" moves and to comply with the official federation position. This position advocates (1) stronger efforts to lift wages and working conditions in low-wage areas overseas, and thus to narrow labor costs gaps, and (2) in this country, federal aid to industries hurt by imports and federal funds to help relocate and retrain workers who lose their jobs.

But there's likely to be a sharp debate before any vote supporting this approach. To unions feeling a job pinch from imports, the AFL-CIO position appears to be more words than effective action. They want something specific—and quick.

Regardless of AFL-CIO's official position, more and more consideration is being given to higher tariffs, quota systems—voluntary or imposed—and boycott action against imports.

I. The Protectionists

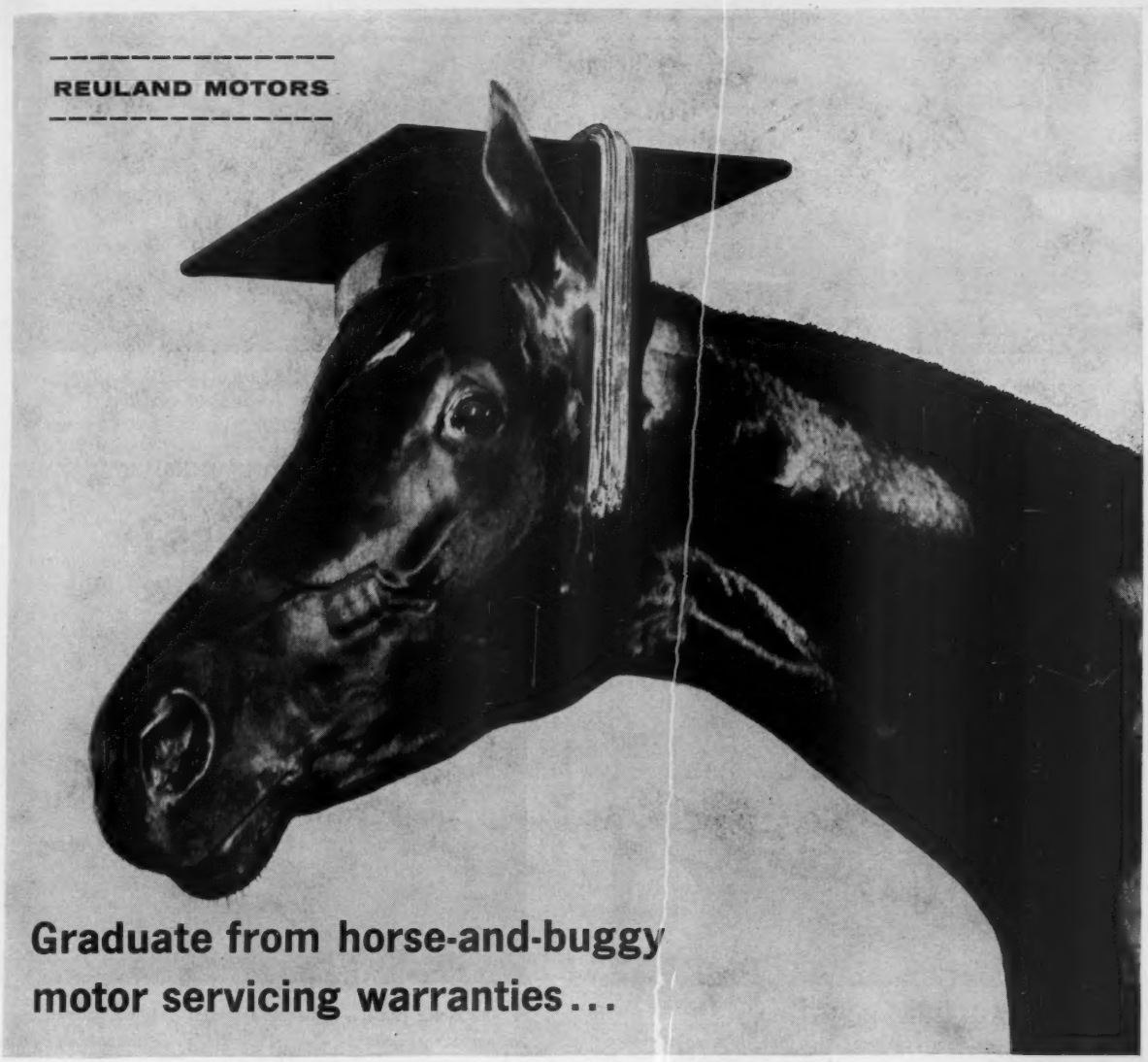
Rising unemployment triggered the argument between the protectionists and the free trade bloc in AFL-CIO. Each monthly rise in jobless figures (at a postwar peak near 5.4-million in January) has intensified labor movement demands for controls on imports.

The protectionists protest that imports are eliminating tens of thousands of U.S. jobs.

• **Tailors Act**—Jacob S. Potofsky of the Amalgamated Clothing Workers has been outspoken on the need for action to protect domestic jobs. This week, Potofsky's executive board moved another step toward a drastic action: a boycott by ACWA tailors of Japanese fabrics, woolens particularly, effective May 1.

The boycott is designed to force the Japanese to agree to a quota system on men's suits and shirts and other garments. According to Potofsky, sharply rising imports of these items have cost 25,000 ACWA jobs over the past three years. Garment industries in New York City, Philadelphia, Chicago, and Rochester have been hurt seriously, Potofsky

REULAND MOTORS



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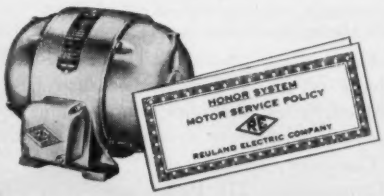
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Reuland's 15 year old service policy takes the word of any motor service shop of your choice.

Whether you're an O.E.M. or a User, when you buy REULAND electric motors you can make your decision with confidence. One very important reason, of course, is that every motor is backed by REULAND's 15 year old "Honor System Motor Service Policy"... *still* the only one in the industry!

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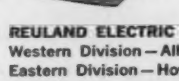
If you would like to talk to a motor manufacturer who really backs up his quality and service claims, find out soon how REULAND can fit into your plans.



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A free copy is available on request. Explains the simple steps to take. Shows how Reuland's unique philosophy of doing business permits it to offer the industry's only Honor System Motor Service Policy. We'll mail yours promptly.

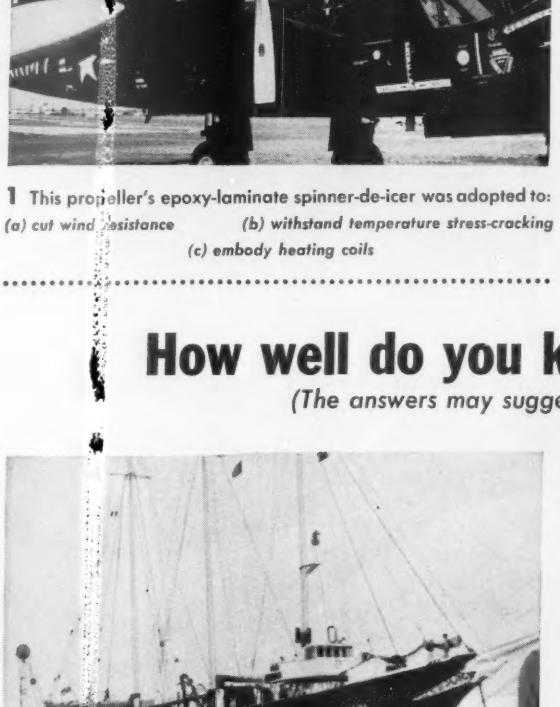
Our new 8-page general line brochure will come in handy! Also, refer to Sweet's 1961 Product Design File, 7a/RE.



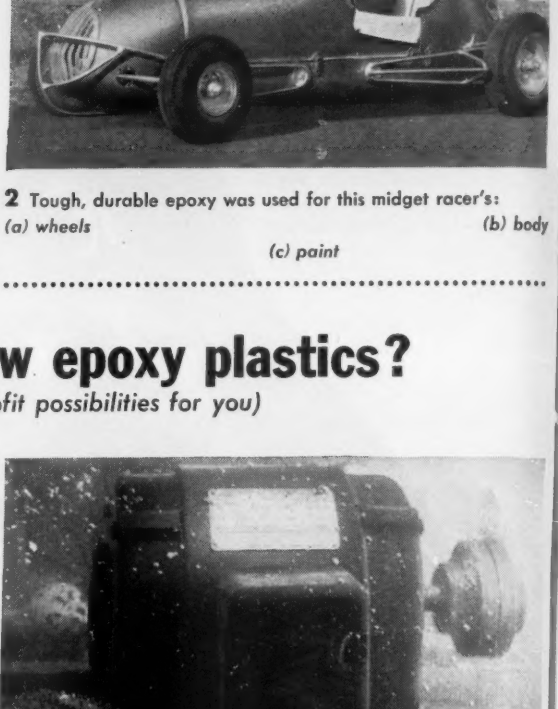
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REULAND MOTORS

REULAND ELECTRIC COMPANY
Western Division—Alhambra, Calif.
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Distributors in all principal cities



1 This propeller's epoxy-laminate spinner-de-icer was adopted to:
(a) cut wind resistance *(b) withstand temperature stress-cracking*
(c) embody heating coils



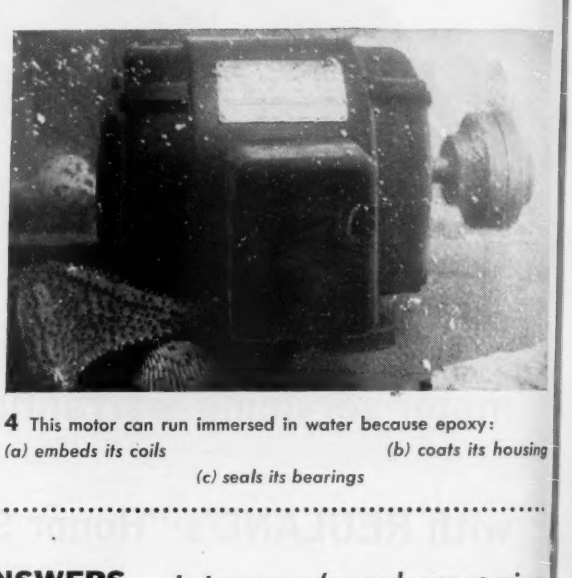
2 Tough, durable epoxy was used for this midget racer's:
(a) wheels *(b) body*
(c) paint

How well do you know epoxy plastics?

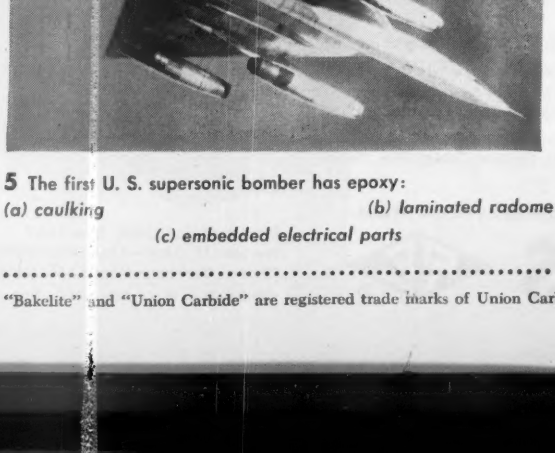
(The answers may suggest profit possibilities for you)



3 Her steel decks are coated with epoxy to:
(a) provide a non-skid surface *(b) reduce maintenance*
(c) withstand sun, temperature changes, and salt water



4 This motor can run immersed in water because epoxy:
(a) embeds its coils *(b) coats its housing*
(c) seals its bearings



5 The first U. S. supersonic bomber has epoxy:
(a) caulking *(b) laminated radome*
(c) embedded electrical parts

ANSWERS . . . *to tomorrow's needs are coming today from adaptable BAKELITE epoxy plastics.*

1. (b) and (c). Despite rapid temperature changes, it far outlasts metal, saving replacement cost and time.
2. (b) The laminated epoxy body is unharmed by impact that would dent metal.
3. (a), (b), and (c). Check them all. Most important—epoxy coatings protect against corrosion.
4. (a) Embeds its coils in a hard plastic block that insulates, protects against physical and chemical damage, lets motor run cooler.
5. (a) Epoxy caulking withstands surface friction and temperature changes. Others are growing aircraft uses, though.

If you have questions—about plastics and their potential for your business—please ask us. We'll be glad to answer on the uses of epoxies, polyethylenes, phenolics, styrenes, and vinyls. Just write or call any of our offices or write Dept. DS-47B, Union Carbide Plastics Company, Division of Union Carbide Corporation, 270 Park Ave., New York 17, N.Y. *In Canada:* Union Carbide Canada Limited, Toronto 12.

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told his board. And, he warned, unless controls are imposed, the volume of imports in 1961 is expected to be substantially higher than that in 1960.

• **It's for Free Trade**—The ACWA position is typical of that of many unions today. Technically, the Amalgamated is for free trade and the Reciprocal Trade Agreements Act; it doesn't want to slam this country's doors permanently on imports from any country.

But, according to Potofsky, imports that "create unemployment, demoralize an industry, and constitute a threat" must be controlled, through a quota system or otherwise.

• **Electronics Ban**—Also effective May 1, the International Brotherhood of Electrical Workers' largest local will begin boycotting Japanese-made parts and components in Chicago's electronics industry. IBEW Local 1031 had 47,000 members a few years ago. Now it's down to 23,000 working members, and it blames imports for the cut in jobs.

Local 1031's Pres. Michael Frank Darling recently gave "due notice" to 83 employers in Chicago radio, television, hi-fi, and tape recorder manufacturing that after May 1, Japanese-made components will not be touched in some 137 union-contract plants.

The local's members "will not walk out of factories, in the manner of a strike," Darling advised employers. "They will work on any American-made parts, union or nonunion, but they will not install Japanese or other foreign-made parts."

Darling said that the Local 1031 boycott plan is designed to "protect" employers, too, from the pinching off of component manufacturing work. The boycott policy is supported by some employers in the area (BW—Feb.4'61,p83), but a court fight might be in the offing, as other employers contend the IBEW local cannot legally boycott.

• **Other Moves**—The proposed boycotts have attracted the widest interest but the ferment against free trade has spread beyond the ACWA and the Chicago IBEW local. For instance:

• Representatives of about a dozen unions recently attended a meeting of an important protectionist organization, the Nation-Wide Committee on Import-Export Policy, and indicated virtual agreement with the general objectives of the protectionists—but not on what should be done. The unions postponed definite action.

Several unions already are affiliated with the committee. Others represented at the meeting included IBEW's Local 1031; the Brotherhood of Carpenters; the Brotherhood of Boilermakers & Iron Shipbuilders; the United Papermakers & Paperworkers; the United Textile Workers; the United Brick & Clay Workers; and the Aluminum Workers International Union.

• Locals in other international unions committed to free trade policies have veered from the parent union position in a reaction to the localized impact of imports on plants and jobs. San Diego (Calif.) Lodge 755 of the International Assn. of Machinists bypassed IAM national officers to protest to Congress that the use of Japanese-made tools and dies by Rohr Aircraft Corp. is a threat to "highly skilled tool and die makers, many of whom are unemployed in this area." San Diego is on the depressed area list.

• Among independent unions, the United Mine Workers' "catch-all" District 50 last week asked Congress for higher tariffs on imports of vinyl raincoats from Japan, now being sold at about half the price of District 50-made coats. UMW itself is on record as favoring import quotas on residual fuel oil.

And the Mine, Mill & Smelter Workers recently urged tighter import quotas on lead, zinc, and copper because of low domestic production levels and U.S. smelter shutdowns.

These are recent developments. They do not include the Textile Workers Union of America's frequent appeals for help against imports; the United Hatters, Caps & Millinery Workers International Union's fight against imports; and similar union surgings against free trade policies.

• **Break With Past**—For many of these unions, protectionism represents a sharp break with their own past, and with the New Deal Democrats who have been their long-time allies. As a result, they are defensive about the change.

Union officials note—repeatedly—that other countries have few compunctions about erecting trade barriers against U.S. goods while taking advantage of U.S. free trade policies. They cite Japan's import tariffs, West Germany's foreign coal quotas, and other examples of foreign protectionism. They are painfully sensitive to the charge that they have become "illiberal."

And just recently, an International Assn. of Machinists spokesman protested that "foreign imports" often can be traced to plants financed and possibly controlled from this country.

II. The Free Traders

Since World War II, U.S. labor has worked within the International Labor Organization (ILO) and the International Confederation of Free Trade Unions (ICFTU) to promote anti-Communist unions and to advance wage scales and improve work conditions abroad (BW—Jan.28'61,p53).

Meany and other AFL-CIO internationalists believe that the federation has a successful investment of money, technical help, and moral suasion in union movements abroad. They are worried about the possibility that the growing protectionist sentiment in American labor might undermine the progress made.

Specifically, they are afraid that if American unions erect or support bars to imports, workers overseas who might be affected—by loss of or threat to jobs—might turn against the AFL-CIO.

• **Imports Defended**—That's one reason the AFL-CIO wants to quiet down the unions now demanding protectionist moves against imports. Another is that federation economists including Ruttenberg do not feel that imports are a main cause of today's high unemployment. They contend that the real trouble stems from automation, and that a search for remedies is hurt by a confusion of real and secondary causes.

For instance, they say, the heavy job decline in the electronics industry is not due to the inflow of Japanese parts but to the fact that the U.S. electronics industry has been centered particularly in defense work (now down) thus enabling the Japanese to move into the domestic market.

• **Voluntary Curbs**—Working quietly through international bodies such as the ILO and the ICFTU, the federation hopes to persuade foreign governments to slow down exports voluntarily through quotas, to avoid a surge of protectionist sentiment that could close U.S. doors to their products.

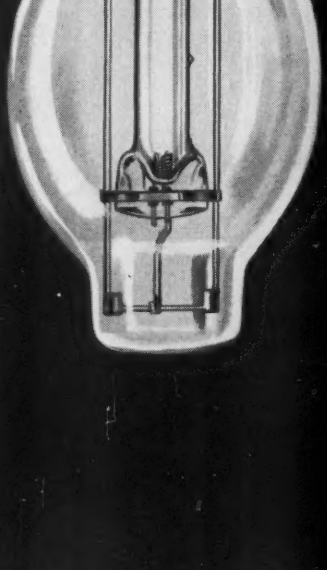
Meanwhile, in testimony before the Joint Economic Committee in Congress last week, Reuther favored penalties on imports of foreign producers whose technological gains about match those of U.S. industries but whose wages are far lower than ours.

This is a position that goes beyond the broad policies of most other AFL-CIO leaders in the free trade group. While they agree that higher wages should be sought overseas, most are against any protectionist devices—even if intended to bring pressure for higher wages overseas.

• **Labor Proposals**—They contend that the federal government should use tax concessions to help U.S. industries become more competitive through new equipment, and that, where necessary, shifts to other fields of production should be encouraged. They say, too, that the government should assist workers hurt by imports.

These are parts of AFL-CIO's general economic program. The federation's council members back this up with a suggestion that unions prod employers to be "more imaginative" in meeting import competition. They cite as an example of "the proper approach" action taken by the United Auto Workers. Instead of fighting for curbs against foreign cars, Reuther's UAW kept after the industry to come out with competitive compact cars. **END**

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In Labor

• • •

Mitchell Resigns as Head of Commission Studying Railroad Work Rules Program

James P. Mitchell's resignation this week as chairman of the Presidential commission on railroad work rules opens a new, potentially important labor post for Pres. Kennedy to fill. **The commission, established in the closing days of the Eisenhower Administration, is considered a test of public aid in settling controversial rules disputes.**

Mitchell resigned "regretfully" to devote his full time to a campaign for nomination as Republican candidate for the New Jersey governorship.

• • •

Hoffa Tells His Teamsters They're "a Clean Union, Now"

James R. Hoffa told his International Brotherhood of Teamsters executive board last week that the IBT is "a clean union, now," and that a special convention should be held in April or May to reelect officers and end the monitorship over Teamsters affairs.

But, Hoffa said, he has quit predicting when anything will happen "in this chaotic area."

An "understanding" has been reached by attorneys for opposed parties in the truckers' union, but, according to Hoffa, District Court Judge F. Dickinson Letts is "sitting on it," delaying a necessary court authorization for a convention.

The IBT board instructed attorneys to go to the U.S. Circuit Court of Appeals (1) for an order to require Judge Letts to rule on the agreement, (2) to require former monitors' chairman Martin F. O'Donoghue to "stop interfering in internal affairs" of the IBT, and (3) for an order dissolving the technical staff of the monitors, to reduce costs that Hoffa said have soared to a total $3.5-million for the monitorship.

• • •

Engineers Give Up 11-Year Drive To Form National Bargaining Unit

An 11-year effort to create a national collective bargaining association for engineers will end in March, when the Engineers & Scientists of America will be dissolved. **The ESA said last week that it was born 50 years too soon—the profession does not have "the collective maturity . . . for unity on a national scale."**

ESA was, or sought to be, an alliance of local bargaining associations formed in companies that employ large numbers of engineers. It was beset from the start by a tug-of-war between those who wanted ESA to be an association of professionals and those who wanted it also to include technicians.

According to ESA, the "internal pulling and hauling" weakened it. It suffered a vital blow when Western Electric Co., Inc., engineers voted to decertify ESA last spring (BW—May28'60,p134). Then, while it was struggling to survive this blow, Radio Corp. of America engineers voted to disaffiliate. ESA said that left it an organization "simply not . . . large enough to be worth maintaining."

• • •

30-Hour Basic Work Week on Shipboard Sought by NMU to Create Jobs

The National Maritime Union plans to demand a reduction of the basic work week on shipboard from 40 to 30 hours in contract talks with Atlantic and Gulf shippers this spring.

According to NMU Pres. Joseph E. Curran, this "principal demand" is designed to provide jobs and to give seamen more paid time ashore.

The rival Seafarers International Union is also preparing bargaining demands. In cooperation with seven other maritime unions, the SIU plans to negotiate for joint action on foreign-flag operations, government subsidies, and other issues it describes as "the guts of the industry."

Under the NMU proposal, the "standard" shipboard work week would be set at 30 hours. Seamen would be compensated by an hour's paid time-off ashore for every hour worked between 30 hours and the present 40 hours a week. They would be paid overtime, as now, for work in excess of 40 hours a week or eight hours a day.

For example, a seaman who worked 40 hours under the proposed plan would receive his regular 40-hour pay plus a credit of 10 hours' paid time-off ashore. One who worked 44 hours would be due his 40-hour pay, the 10 hours' paid shore leave, and four hours' overtime pay.

The extra time off would be allowed to accumulate, to be taken at intervals.

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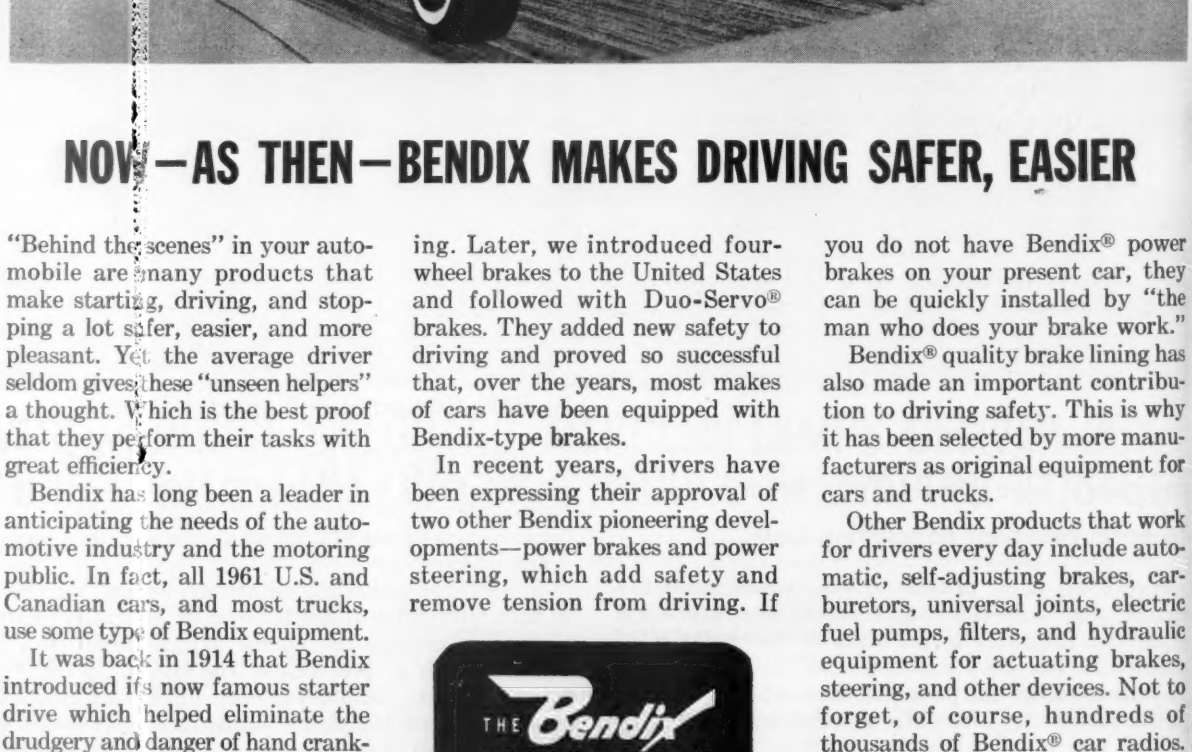
Brewer Employees Agree to Take Layoffs To Help Company in Financial Straits

Employees of Jacob Ruppert, a New York City brewery, have agreed to take five-week layoffs on a rotating basis in order to cut the company's production costs. The brewery ended 1960 $2.5-million in the red, this spurred union action.

The 800 production and distribution workers, members of three International Brotherhood of Teamsters locals, **pledged to produce the normal annual output of 1.2-million barrels of beer despite the layoffs.** Some 450 other employees, members of other unions, are expected to go along with the plan. **Management personnel will receive pay cuts of at least 10%.**

The Kratter Corp., a real estate investment company, recently attempted to gain control of the brewery in order to build a housing development on its site. The plan hit a snag when Ruppert workers demanded $4-million in severance pay.





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Bendix® quality brake lining has also made an important contribution to driving safety. This is why it has been selected by more manufacturers as original equipment for cars and trucks.

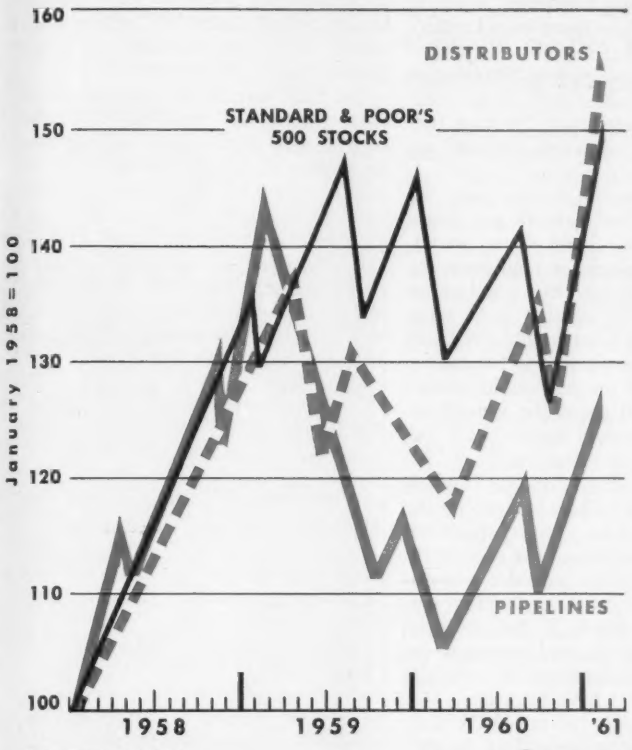
Other Bendix products that work for drivers every day include automatic, self-adjusting brakes, carburetors, universal joints, electric fuel pumps, filters, and hydraulic equipment for actuating brakes, steering, and other devices. Not to forget, of course, hundreds of thousands of Bendix® car radios.

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Natural Gas Stocks Get a New Lease . . .



	PRICE RANGE 1959-61	RECENT PRICE
PIPELINES		
Colorado Interstate	58¾-31⅝	44¼
El Paso Natural Gas	35⅛-22⅝	28½
Northern Natural Gas	35¼-26¾	32½
Southern Natural Gas	46¾-33⅜	43½
Tennessee Gas Transmission	25¾-20⅛	24⅛
Texas Eastern Transmission	36-20	31⅞
Texas Gas Transmission	38⅛-27⅛	37¼
Transcontinental Gas	27¼-17⅛	23⅜
INTEGRATED		
American Natural Gas	86½-55⅜	86½
Arkansas Louisiana Gas	39-23⅜	38⅞
Columbia Gas System	24⅝-18¾	23⅝
Consolidated Natural Gas	57¾-42¼	55¾
Equitable Gas	41⅜-32¾	38¾
Lone Star Gas	48-35⅝	46⅛
Pacific Lighting	56¼-45⅞	54¾
Peoples Gas Light	72⅜-49¾	72⅜
RETAILERS		
Brooklyn Union Gas	32¾-24¾	32¾
Laclede Gas	27⅜-18¼	27⅜
Mountain Fuel Supply	32½-22⅝	32½
New Jersey Natural Gas	30-20	29½
Washington Gas Light	58¼-45½	58¼

Investors Bet on FPC Changes

"The Federal Power Commission without question represents the outstanding example in the federal government of the breakdown of the administrative process. The complexity of its problem is no answer to its more than patent failures. These failures relate primarily to the natural gas field. . . ."

This striking indictment of the FPC comes from the report on federal regulatory agencies (BW—Dec.31'60,p26) made to Pres. Kennedy by James M. Landis, former dean of Harvard Law School and now special assistant to the President for these agencies.

More than anything else, it sums up both the reason why natural gas stocks lost their glamor on Wall Street, after being its pet 10 years ago (chart), and why, now that Landis has brought FPC's foot-dragging into sharp focus, natural gas stocks are getting a new play (table).

It's since the Landis report that investors are betting on a change for the better. Though regulatory relief may not come for some time, a good number of investors are willing to put their chips on the line in anticipation of a more farsighted FPC. For, if Landis has his way, clear policies and speedy decisions are sure to improve an industry caught so long in a jungle of regulations.

And profits to investors may be impressive: For all the industry's explosive growth in assets and sales, natural gas shares have sold nowhere near the high price-earnings ratios that characterize industrial growth shares.

• **Post-Election Rise**—Since the election, most natural gas stocks have moved up in price. Retail distribution companies have advanced more than 20%, and, in many cases—including Brooklyn Union Gas Co., Laclede Gas Co., Mountain Fuel Supply Co., and Washington Gas Light Co.—the stocks are selling at their 1959-61 highs.

The pipeline companies are feeling less effect, partly because producers now prefer to sell their gas on an unregulated basis in intrastate commerce; they have gone up about 13%—somewhat less than the 18% rise for the market over-all, as measured by Standard & Poor's 500-stock index. Most utility analysts believe that until FPC straightens out pipeline rates, the natural gas retailers are relatively more attractive. Some are selling at price-earnings ratios that are historically high, but analysts think that at least some of the gas retailers have assumed an investment position equal to that of the growth electric utilities, which sell above 20 times earnings.

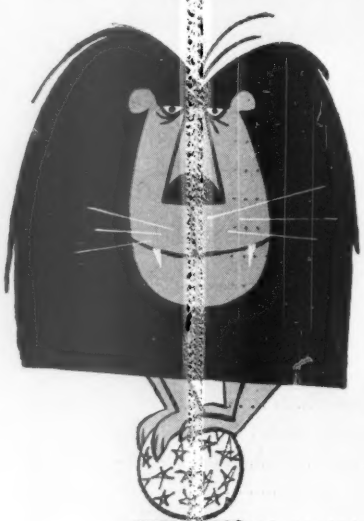
Analysts also look with favor on intrastate gas gathering systems, which do not come under FPC regulation. One of these companies, Coastal States Gas Producing Co., has been under heavy demand, with its price bid up from a 1960 low of 30¼ to over 70.

• **Selective**—Thus analysts are taking a selective view of gas equities. Generally, yields have been rising, but earnings for some companies are still unreliable, and analysts aren't willing to give carte blanche to all the stocks.

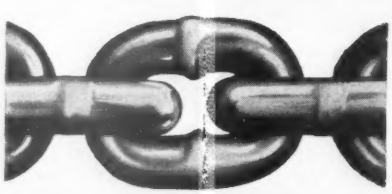
There's a lively debate, too, among institutional investors about the course of natural gas equities. In the fourth quarter of 1960, for example, at least 13 mutual funds sold natural gas stocks. Only four added gas equities to their

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portfolios. And one fund manager sees little hope: "From past performance, I'd say the make-up of the commission isn't promising. Morgan [Howard Morgan], for instance, has a background of severity in deciding rate cases."

The optimists take heart from Landis' blast, and his influence with Kennedy. Says one Boston manager: "Imminent FPC rulings are more likely to be constructive than destructive because the present setup is so much in need of improvement."

• **Slowing Down**—This view may be overoptimistic, but natural gas companies and their shareholders would welcome any measure of regulatory relief. For one thing, the spectacular growth rate of the industry is slowing down—and, more than before, investor appetites must be whetted if the industry is to finance on reasonable terms.

In the next 10 years, the growth in gas consumption will more likely be closer to 5% a year than to the 9.5% average over the past decade. Capital spending, too, isn't likely to keep up its present clip. Last year, spending reached nearly $2-billion, the highest in history. Construction is under way on a number of major lines, piping gas from Canada to the U.S. But, outside of a few other planned ventures—in Mexico and in Alaska (page 89)—the big pipes to new areas have been laid.

Revenues, which jumped 12% last year to $5.7-billion, according to the American Gas Assn., will also be taking a less precipitous climb—particularly if gas prices, which have been steadily on the rise, are kept stable by FPC.

Short-term, new gains are sure to be made this year and next, and present activity in the industry indicates a good earnings year. The long term, however, is in doubt. The commission is still trying to find the right answers on how to keep gas prices to the consumer down while keeping incentives high enough so that companies will go on looking for new gas.

• **Contradictory**—Last year, for example, FPC made two major moves—each contradictory to the other in spirit, as some gas company officials see them.

On one hand, FPC adopted its new area pricing policy for setting the price of gas sold by producers to pipelines (BW—Oct.1'60,p113). This meant that FPC would set a specific price for each major producing area—a price plan long favored by many producers. The new policy junked the traditional and unworkable scheme of basing each producer's price on the utility concept of cost plus return. Most producers considered this a step in the right way.

On the other hand, FPC switched its standard way of setting rate of return for the gas pipelines. All during the 1950s, it was usual practice to give a 6% rate of return on invested capital. Some of this capital was borrowed, some in the form of stock. But, of course, the 6% return had its impact on the equity earnings. Thus, many companies with a higher percentage of common than is normal within the industry argued that a 6% return didn't allow them the earnings on equity needed to attract new capital.

So last year, FPC decided to get away from a 6% rate, and looked first at return on equity, and let that determine over-all return. Several key rulings outlined the commission's thinking, which boils down to allowing a pipeline between 10% and 11% on common equity.

The change has been welcomed by companies with a high proportion of stock, such as the integrated companies that generally have maintained higher equity ratios.

But it has hurt such companies as Tennessee Gas Transmission Co., accustomed to earning 14% to 15% on its common. In a Tennessee Gas rate case last year, FPC allowed only 10.12% return on the common, and an over-all return of 6.125%. This held back the rise in the company's per share earnings in 1960, though revenues rose sharply.

Some investment bankers think this "bare bones" concept might destroy investor appeal. But one analyst suggests that it could lead more gas companies to diversify into nonregulated activities, where a number—including El Paso Natural Gas Co. and Arkansas Louisiana Gas Co., as well as Tennessee Gas—have profited handsomely.

• **Offset**—Any distress from this rate-making trend will be partly offset by FPC's new area-pricing policy, which attacked the industry's most serious problem: the steady increase in gas costs at the wellhead. It promises at least to slow the rise, by setting ceilings on prices negotiated when changes are made in existing contracts or in drawing new contracts.

From the producer's view, it means he can know how much he will get for gas from a specific area without having to go through protracted hearings into his company's operations.

A big weakness in area pricing is that price levels now in effect are no more than vague judgments by FPC. The commission hopes to set up some foundations for the policy in a Midland, Tex., hearing early in March on rate increases asked by producers in the Permian Basin area. But cases of this type will probably have to be set up for each area.

Thus, any great optimism on area pricing may be premature. Until the courts—and the new Democratic FPC majority—clear area pricing, no one really knows what its impact may be on company profits. **END**



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Wall St. Talks . . .

. . . about Fed Chmn. Martin, shell home builders, Giannini merger talks, rise in Puerto Rico Telephone shares.

Federal Reserve Board Chmn. William Mc. Martin, who in the past often used "open mouth" policy as a means of influencing money rates but has been conspicuously silent in recent months, may start resorting to the jaw-bone technique soon. Beginning with his hearing before Congress' Joint Economic Committee, he is expected to support the Kennedy Administration's effort to bring down long-term rates.

Shell home builders who provide low-cost houses that buyers complete are the hot new industry group on Wall Street. There have been four public offerings by shell home outfits in recent weeks, and more are on the way. All of them are modeled on the capitalization of Jim Walter Corp., the nation's largest shell builder (BW—Jun.4'60,p66), and offer buyers a package of common stock, a debenture, and warrants. So far, each offering has gone to a premium.

Giannini Controls Corp., one of several electronics companies in Sherman M. Fairchild's stable, this week moved up to 64 on the American Stock Exchange (1960 low: 32¾), after reports that it is negotiating for Cramer Controls Corp., Connecticut-based maker of electromechanical timing controls and precision instrument motors. If a merger comes off—there are rumors, denied officially, that it faces opposition from American Research & Development Corp., which holds 38% of Cramer's voting securities—it will be the second major acquisition for Giannini in recent weeks. At the end of January, it picked up Conrac, Inc., maker of closed-circuit TV equipment.

Puerto Rico Telephone shares, traded on the ASE, rose nine points to a new high of 89 this week, 40 points above the January low. The play began when International Telephone & Telegraph, which owns 80% of the 600,000 shares outstanding, said PRT's 1960 earnings would be double those of 1959. Heavy demand by traders who realized that there was only a thin floating supply was responsible for the swift rise.

Brokerages are happy about the big trading volume, which means higher earnings for them. But some brokers say that most of the rise has gone to houses that cater to institutions.



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F. W. DODGE CORPORATION **DODGE Reports and Construction Statistics**

In the Markets

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Wall Street Gets Set for Bull Market As Demand for Equities Keeps Growing

Wall Street is now convinced that a bull market in stocks is in the making, with some brokers and analysts talking in terms of a runaway market. While a few diehards still feel that a sharp decline cannot be ruled out, the demand for equities by both institutions and individuals is growing, increasing the prospect of a strong bandwagon movement.

The movement of stock prices over the past week bolsters the optimists. Stocks did fall back after their swift and sharp three-month rise, but the decline did not amount to much. Buyers came off the sidelines in droves, which raised prices back to previous levels.

According to many brokers, institutional accounts have provided most of the buying demand. The institutions are betting that the recession will be short-lived, and will be followed by a healthy upturn—in both business activity and corporate profits.

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Government Gets Pointer on How to Lower Long-Term Rates While Raising Short-Term

The bond and money markets this week were beginning to show the impact of the extraordinary balancing act that the new Administration is attempting: to maintain, or even increase, short-term rates to stem the gold and dollar outflow while at the same time bringing about a reduction in long-term rates to stimulate economic recovery.

In the short end of the market, yields have in fact moved up about ¼ of 1% in the last few weeks—and prices have dropped accordingly. This has been in response to the Treasury's short-term cash offering and an almost imperceptible tightening of the money market by the Federal Reserve.

The Fed's action in tightening was a simple and straight-forward money market maneuver, which was expected by bond dealers. But how the Kennedy strategists will go about bringing down long-term rates, without at the same time disrupting the long-term market, isn't so clear. This week, Girard L. Spencer of Salomon Bros. & Hutzler, a major government bond house, came up with a possible solution to the problem:

As Spencer sees it, Kennedy's best move would be to increase sharply mortgage purchases by the Federal National Mortgage Assn. (Fanny Mae). He points out that mortgages accounted for about half of the demand for long-term money last year. **Thus, if the available supply of mortgages was cut substantially, this would force long-term investors into other markets, and would thereby put downward pressure on interest rates for corporate and tax-exempt obligations.**

Moreover, says Spencer, if Fanny Mae financed these purchases by selling short-term debentures, it would accomplish an increase in short-term rates, is just the sort of double play in the money market that the Administration is after.

• • •

Pan Am and National Airlines Clash Over How to Dispose of Each Other's Stock

Pan American World Airways, Inc., and National Airlines, Inc., which hold 400,000 shares of each other's stock, were at odds this week over how to meet the Civil Aeronautics Board's order to divest themselves of these holdings. The two airlines exchanged shares two years ago when they agreed to share jet planes. At the time, Pan Am sold at 18¾, National at 19¾.

National proposes to comply with the CAB's order by selling back its Pan Am stock at $19.375 a share. It says that if Pan Am doesn't buy, it will place the block with an underwriter for a public offering.

Pan Am won't go along, insists that the CAB wants a simple swap of the shares. Its reason is plain: Pan Am shares are now selling at 21, National at 12. **If the shares were repurchased, Pan Am says it would take a loss of about $4-million.**

National refuses to accept Pan Am's exchange plan because it would mean a decline in its net worth.

Both sides are adamant. At the very least, Pan Am would like to defer a sale. If National is successful in its bid for a new transcontinental route, National's share could rise in price. And if it loses, National will probably be a merger candidate, and other airlines might be willing to pay more for Pan Am's block of National shares.

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Share Value Set in AT&T Rights Offering

American Telephone & Telegraph Co., announced this week that it was placing an $86-a-share price on its 1-for-20 rights offering to shareholders. The stock has moved down from a high of 119 to 111 in recent weeks, and AT&T's offer makes each right worth about $1.25. This is below the value AT&T placed on its last rights offering in 1956. At that time, a market price of 179 (before the 3-for-1 split) and a subscription price of 100 made the 1-for-10 rights worth $7.18—or $2.39 when figured on a current basis.

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Remark on Paar Show Boosts $10 Stocks

To the long list of fads in investment, add a new one: stocks selling for $10 on the American Stock Exchange. It started last week, when comedian Lou Holtz, appearing on the Jack Paar TV show, said he owned such a $10 stock, predicted it would go to $1,000 within 10 years.

It turned out that Holtz was talking about Canadian Javelin, Ltd., which was once barred from trading in the U. S. by the SEC; but Holtz didn't give the company name on the air—so virtually all the stocks on the ASE selling for $10 were in demand. The SEC checked the affair, came to the conclusion the whole thing was a "comedy of errors."

PERSONAL BUSINESS

BUSINESS WEEK

FEB. 18, 1961



Today's rush to explore outer space is luring an ever-increasing number of hobbyists into a fascinating field—amateur astronomy.

All that is needed to pursue this interest is a good clear night and the unaided eye. And **for inspiration, hobbyists have only to look at the front pages of newspapers.**

For example, **Russia's new Venus-bound rocket**—fired from an earth-orbiting satellite—**may be overshadowed soon** by our own manned rocket flight from Cape Canaveral. And within a year, U. S. Project Mercury plans to launch a man into an 18,000 mph. orbit around the earth.

In addition, **we'll probably land instruments on the moon by next year or 1963,** and learn more about the creation of the earth and moon. Though 35-million mi. away when it comes closest, Mars is on the man-in-space schedule for the 1970s.

With all these developments, **the ancient science of astronomy is attracting businessmen, professionals, and many retired people.** New York's Amateur Astronomers Assn. has over 400 members, and the list is growing. There are more than 100 such groups in other cities, mostly affiliated with the Astronomical League, Pittsburgh.

As a hobbyist, you read weighty books on astronomy, share group discussions on topics ranging from spaceship travel to the Great Nebula in Andromeda (over 2-million light-years away)—and sip coffee at night atop hills or buildings as you work in teams to track manmade satellites. If really serious about the hobby, **you can take part in programs that assist professional astronomers and the government.**

Most amateurs start their careers by thumbing through a short "star book." "Did you know," says the book, "that in a few years we may fire a rocket toward the orbit of Pluto—over 2.6-billion miles away?" or ". . . To reach the nearest star, or sun, beyond our own (Proxima Centauri), **a spaceship traveling 1-million mph. would take about 3,000 years."**

Then, you stop thumbing, read on until 2 a.m. Six weeks later, **you're pricing small telescopes,** and inquiring about the local amateur astronomers' organization. You would be wise to join this group and talk with a few old-timers before spending money on equipment.

The local group usually has a clubroom and library, with a lot of time taken for classes, roundtables, and lectures by professionals. **Most groups even make their own telescopes** in small cooperative workshops.

Activity isn't all stars and space. **The social side attracts many** who find they like the intellectual-but-not-stuffy atmosphere. About 50% of the members of the average group are armchair enthusiasts who get their activity indoors—reading, lecture-attending, and clubroom visiting.

Time needed for the hobby is about the same as for golf. Veterans say that about six to 10 hours a week will prove rewarding—and at this rate, if you're average, **you'll take about two years to get abreast of the basics of astronomy.**

Equipment, for a starter, is a telescope—plus books and magazines.

A good 6-in. "scope" (meaning the reflecting mirror, or refractor, **is 6 in. in diameter) has ample power.** With this, you can view 12th magnitude stars—stars one-hundredth as bright as the faintest ones that can be seen with the unaided eye.

There are two types, reflector and refractor. The refractor is some-

what easier to handle, and is being used by a growing number of amateurs today. In any case, a 6-in. scope is about 4 ft. long and is mounted on a stand—the heavier and more secure, the better. Over-all weight runs 50 to 150 lb., so most amateurs use auto trunks for carrying.

If you assemble your own 6-in. reflector, **cost is about $150;** if you buy, the price can range from $200 to $500 for a standard model. **A beginner can start with a 3-in. scope, for about $50**—but he'll soon want a bigger outfit, say the veterans. Simplified (often "home made") 2-in. and 3-in. scopes are used by satellite tracking teams.

Cameras, including conventional models, can be attached to telescopes for nighttime sky pictures. But this is an advanced technique, partly because exposure-time runs into hours, and camera position must be constantly changed to compensate for the earth's movement.

Before you buy any equipment, **a good idea is to check firms dealing in Army surplus.** Veteran amateurs say excellent bargains can be found. Another tip is to resist sales talk and buy a low-power eyepiece for any size telescope—better light is gained, compared with a high-power piece.

Eventually, most skilled amateurs specialize. "Variable star work" means studying certain stars that show varying light intensities, indicating movement. For this specialty, which contributes to projects in professional astronomy, there is the American Assn. of Variable Star Observers (Cambridge, Mass.).

If interested in "meteor work"—observing "shooting stars" to detect suspected patterns—**you join the American Meteor Society** (Philadelphia). For moon and planet specialists, there is the Assn. of Lunar & Planetary Observers (Edinburg, Tex.). **Incidentally, Venus, newest Russian target,** is now showing 15 times brighter than the brightest star—you can spot it easily in the southwest sky, seven to ten p.m.

A small group of highly skilled amateurs lately has begun studying solar flares (sun spots) and their effect on the ionosphere—a factor of vital importance to short-wave radio technology. Finally, the American Rocket Society (500 Fifth Ave., New York 36) will furnish amateurs information on safe procedures and experiments.

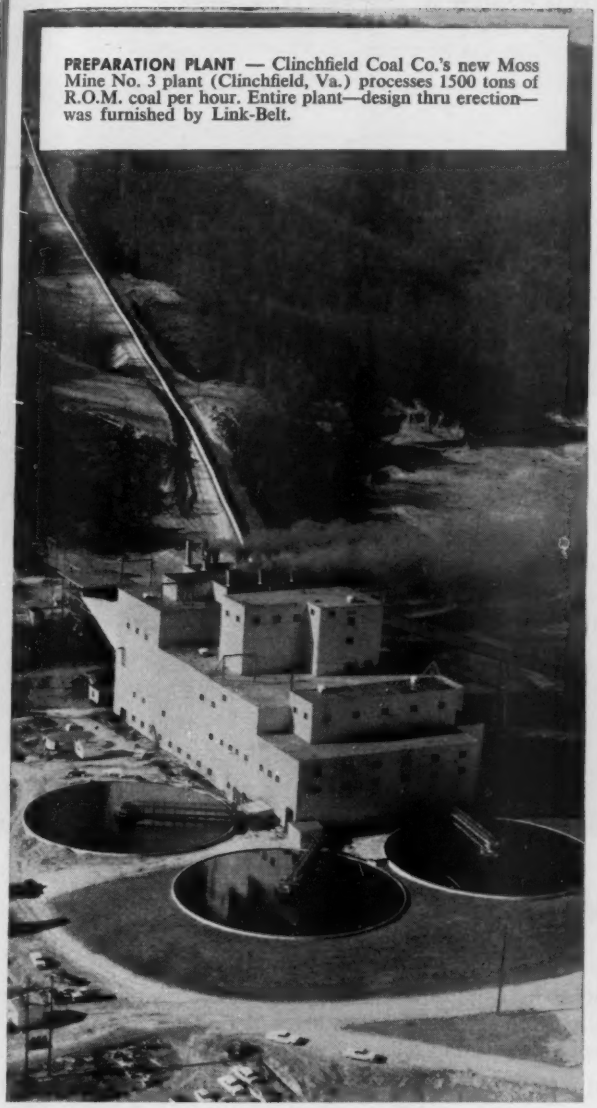
Among top current books for the novice is William Weiser's **The Space Guidebook (Coward-McCann, $4.75).** It shows clearly the relationships between "pure" astronomy and the Space Age sciences. Magazine bible of the amateur astronomer is **Sky and Telescope,** monthly (Sky Publishing Corp., Harvard College Observatory, Cambridge, Mass.; $5 per year).

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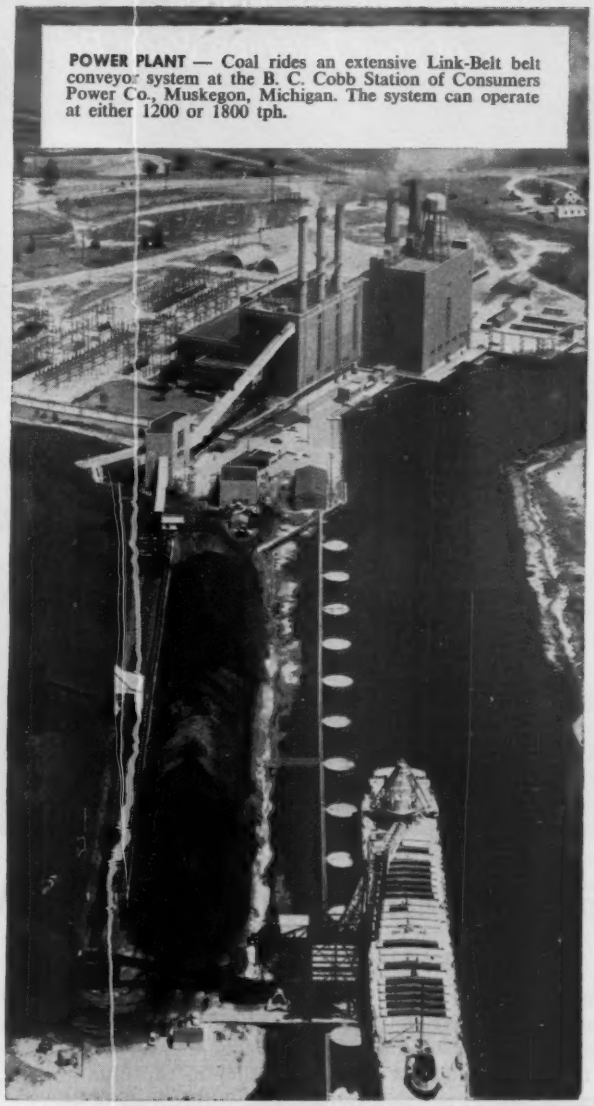
Omnibus: Action by the IRS that may discourage **formation of new "centennial funds"** will have no effect on those already established (BW—Oct.1'60,p125) . . . Despite the Administration's **plan to reduce the U.S. duty-free exemption on goods** bought abroad from $500 to $100, you may want to bone up on overseas bazaars. Two superior guides are **Shopping Around Europe** and **Shopping Around the East and Near East,** by Judith Friedberg (Appleton-Century-Crofts, $4.50, $3.95) . . . Larger **1961 Summer Placement Directory** lists over 14,000 summer jobs for youngsters, in the U. S. and abroad (Advancement & Placement Institute, Box 99, Station G, Brooklyn 22; $3) . . . A study covering 89,000 du Pont employees shows that **rank-and-filers are more prone to heart attack** than are top salaried people. The reason, say researchers, is that **executives let off steam** in using their authority, while underdogs "may suffer from feelings of frustration."

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Trimming coal costs at both ends



PREPARATION PLANT — Clinchfield Coal Co.'s new Moss Mine No. 3 plant (Clinchfield, Va.) processes 1500 tons of R.O.M. coal per hour. Entire plant—design thru erection—was furnished by Link-Belt.



POWER PLANT — Coal rides an extensive Link-Belt belt conveyor system at the B. C. Cobb Station of Consumers Power Co., Muskegon, Michigan. The system can operate at either 1200 or 1800 tph.

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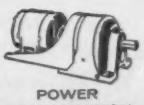
BEARINGS



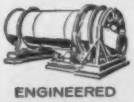
CHAINS AND SPROCKETS



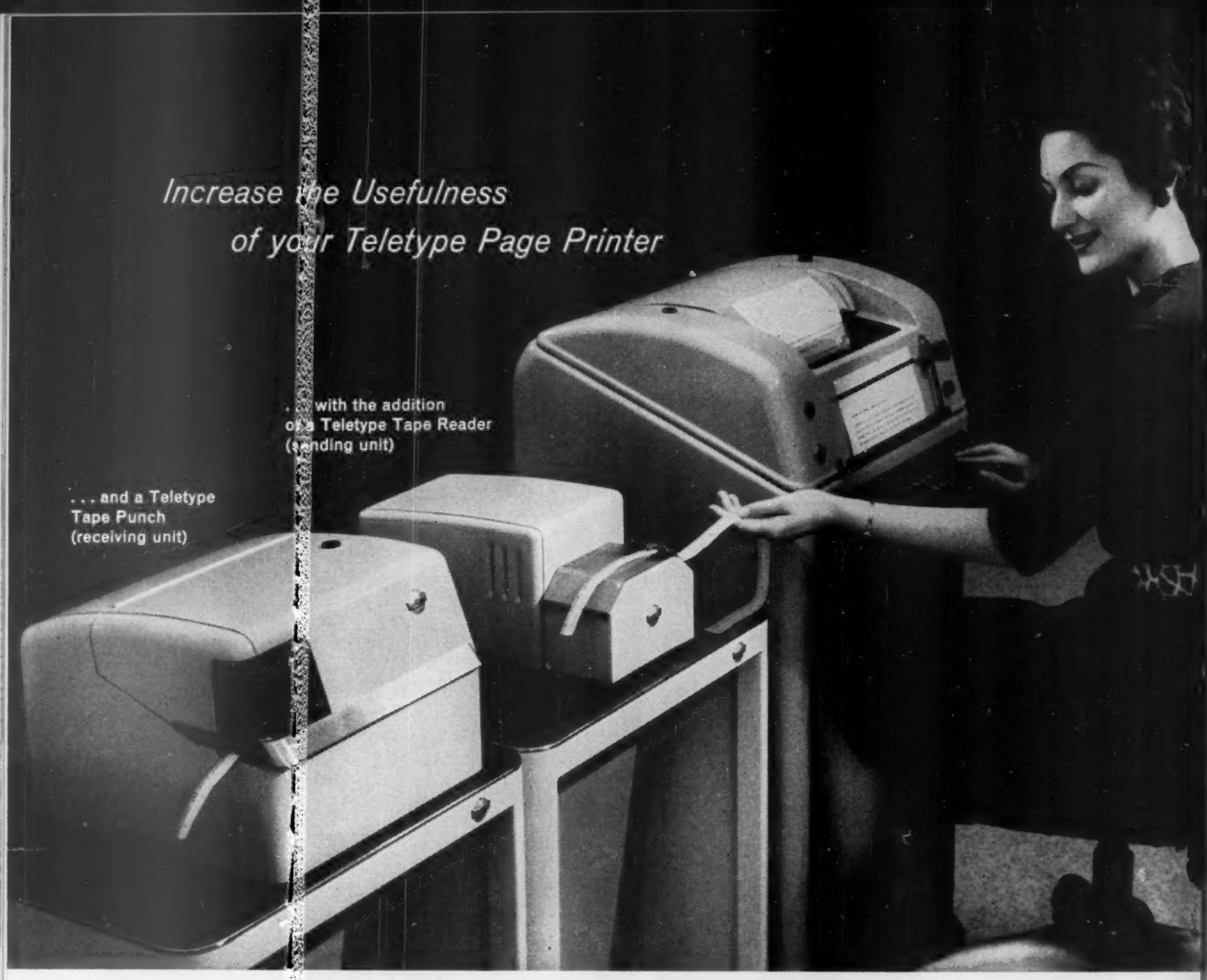
CONVEYING EQUIPMENT



POWER TRANSMISSION MACHINERY



ENGINEERED (PROCESSING) EQUIPMENT



Tape can pay you dividends

Adding Teletype tape units to your present Teletype page printer can pay you handsome dividends. As your printer is used for sending and receiving messages and data, the information can at the same time be captured in perforated tape form—as a by-product, without effort on the part of your operator. This tape, then, has many cost-saving uses:

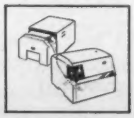
Save time, increase capacity—the tape can be used to retransmit all or part of the information to other locations . . . it is an easily storable record . . . it can be used over and over to save typing effort.

Greater accuracy efficiency—using punched tape for repetitive data such as addresses, product descriptions and other fixed information not only eliminates retyping but also saves possible errors in preparing purchase orders, sales records, payrolls and the like.

Business machine tie-in—the tape is compatible with many modern business machines and can also serve as "input data" for certain types of computers.

In these and many other ways, the addition of Teletype tape units to your present Teletype page printer can pay you important dividends. Teletype Corporation manufactures this equipment for the Bell System and others who require the utmost reliability from their data communications. Teletype equipment can be used with Data-Phone and other communications services.

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In Production

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GE Substitutes Electrical Jolts For Explosives in Shaping Metals

For probably the first time in the U.S., General Electrical Co. is using electro-spark forming—a switch in the shaping of metals by explosion—on some of the more difficult-to-fabricate metals. The process, which substitutes electrical explosions for the usual chemical blasts, has been fairly widely used in Russia. **This week, GE announced its successful use in the lab; wider applications and commercial use are expected to follow in a few years.**

Metal forming by explosives is used where large presses or hammers won't serve. The usual method is to place a strip or sheet of the metal over the mouth of a die, and lower them into water, which serves as a medium to transmit the blast. A charge is detonated in the water, and the shock waves force the metal into the die.

Electro-spark forming is also used under water, but the blast is supplied by built-up electrical energy released in a single jolt. The electricity is stored in a bank of capacitors, connected by cable with a spark gap in the pool. **In the lab, GE has been using a 35,000-volt shock; it expects to get up to 100,000 volts or more.**

The main advantage of electro-spark forming is that it eliminates the hazardous storing and handling of chemical explosives, and the operation does not have to be kept at a distance from other activities.

GE calls its process "capacitor discharge electro-spark forming," and says it has been used successfully to shape niobium, titanium, beryllium-copper, and the more difficult grades of stainless steel. The company's General Engineering Laboratory feels that the technique can be extended to tungsten and molybdenum. So far, the biggest chunks of metal formed by the process have been 10 in. in diameter and 3/32 in. thick.

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Process Bypasses Smelting Stage, Turns Low-Grade Ore Into Copper Powder

A direct reduction process that has been around the copper industry for several years will finally get its first real tryout in a new $23-million plant to be built in the Philippine Islands. The process—patented by Chemetals Corp. and Sherritt Gordon Mines, Ltd.—will be used by Marinduque Iron Mines Agents, Inc., to turn low-grade ores directly into copper, bypassing the conventional smelting stage.

The plant will be the first fully integrated system to produce copper powder, and, with a special rolling and fabricating line patented by E. W. Bliss Co. (BW—Aug. 30'50,p74), press the powder into strip, tubing, and wire.

Up to now, there have been only two applications of the copper powder process—both on a fairly limited scale, and neither involving any rolling or fabrication from the powder. Whitaker Metals Corp. has licensed the process for producing copper powder from scrap for the copper powder market; Sherritt Gordon uses the process, but mainly on nickel concentrates. At Sherritt Gordon, copper is produced only in very minor amounts.

For copper producers—many of them long skeptical of some of the economies the process is supposed to bring—the Philippines project may shape up as an important test of its worth. In terms of production costs, Dennis Pickens, president of Chemetals, claims right now that a **plant using the process can get from copper concentrate to finished strip for 5¢ a lb.,** where a conventional plant of the same capacity, using a smelter, can't do it for under 10¢ per lb. Several copper refiners challenge this, claiming even the 10¢-a-lb. figure is far too low for copper production.

Chemetals and Sherritt Gordon aren't the only companies with a system for making copper powder, but **the two claim their process is the only one that produces a powder pure enough for rolling into copper products.** Ordinarily, copper powders are used only for bearing friction materials such as brake bands, and other powdered metal parts.

When it goes into operation in 1964, the plant—which will be engineered and built by Foster Wheeler Corp.—will convert annually about 75,000 tons of copper concentrate into 14,000 tons of copper and copper products. Two byproducts will also be produced—about 5,000 tons electrolytic zinc, and about 98,000 tons of ammonium sulphate.

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Laminated Aluminum Foil Cans Join Race for Frozen Food Container Market

The battle raging between tinplate steel and sheet aluminum for the frozen food industry's can business may turn into a three-sided affair. Last week, **Anaconda Aluminum Co. announced the development of a new laminated, aluminum foil can**—the second foil can on the market. And **Minute Maid Corp., which has been test marketing a similar can for several months, revealed that it plans to use its new foil cans on a trial production basis** after the prototype machine that made test containers is delivered to Minute Maid's Florida plant.

The two makers of laminated foil for cans—Anaconda Aluminum and Aluminum Co. of America—think these cans are cheaper to produce than either tinplate or conventional aluminum cans, and, because of their lighter weight, are cheaper to ship.

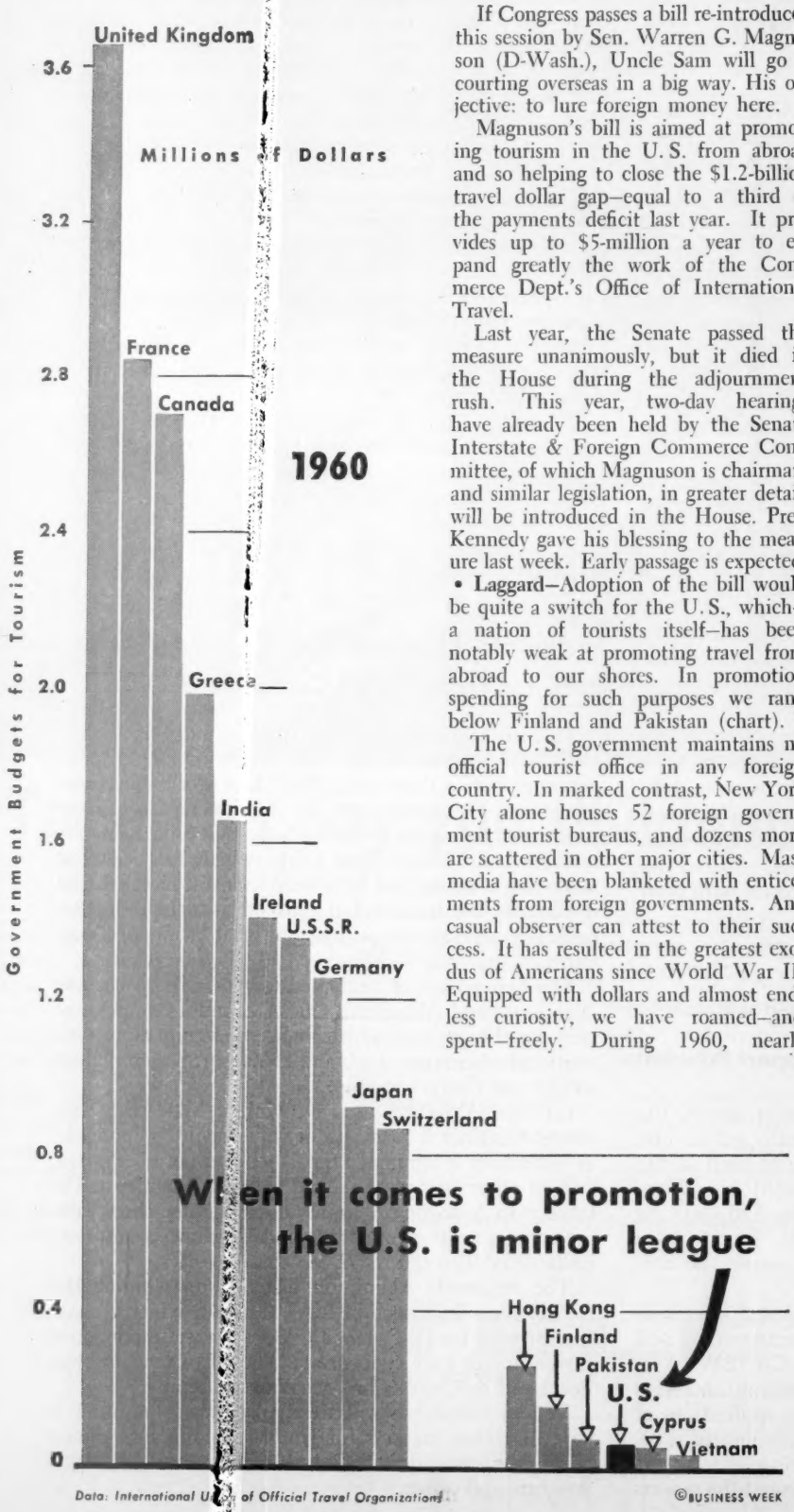
Like the Alcoa can used by Minute Maid, the Anaconda container is made up of three main components: an inner liner of laminated foil, a body wall of fiber board, and an outer skin of laminated foil that doubles as the label. On Anaconda Aluminum's cans, these three parts are spiral wound into a tube, and the tube is automatically sliced into cans.

The Anaconda Aluminum machine for winding the foil tube was developed by R. C. Can Co., which is making the cans for H. P. Hood & Sons, Inc., a producer of frozen orange juice concentrate. The Alcoa machine was developed by United Shoe Machinery Corp.

Besides frozen concentrates, Anaconda Aluminum is studying other markets for laminated foil cans, among them: the container markets for grease and oil, nuts, popcorn, and coffee.

TRANSPORTATION

A U.S. Bid for Foreign Travelers



If Congress passes a bill re-introduced this session by Sen. Warren G. Magnuson (D-Wash.), Uncle Sam will go a-courting overseas in a big way. His objective: to lure foreign money here.

Magnuson's bill is aimed at promoting tourism in the U. S. from abroad and so helping to close the $1.2-billion travel dollar gap—equal to a third of the payments deficit last year. It provides up to $5-million a year to expand greatly the work of the Commerce Dept.'s Office of International Travel.

Last year, the Senate passed the measure unanimously, but it died in the House during the adjournment rush. This year, two-day hearings have already been held by the Senate Interstate & Foreign Commerce Committee, of which Magnuson is chairman, and similar legislation, in greater detail, will be introduced in the House. Pres. Kennedy gave his blessing to the measure last week. Early passage is expected.

• **Laggard**—Adoption of the bill would be quite a switch for the U. S., which—a nation of tourists itself—has been notably weak at promoting travel from abroad to our shores. In promotion spending for such purposes we rank below Finland and Pakistan (chart).

The U. S. government maintains no official tourist office in any foreign country. In marked contrast, New York City alone houses 52 foreign government tourist bureaus, and dozens more are scattered in other major cities. Mass media have been blanketed with enticements from foreign governments. Any casual observer can attest to their success. It has resulted in the greatest exodus of Americans since World War II. Equipped with dollars and almost endless curiosity, we have roamed—and spent—freely. During 1960, nearly 2-million Americans traveled abroad.

Almost forgotten in this travel boom have been the thousands of foreigners eager and financially able to visit the U. S. In earlier years, many were unable to come because of prohibitive costs or currency restrictions. But now many countries, thanks to healthier economies, have eased or lifted the restrictions, and travel costs are within the means of countless middle-income foreigners. In 1960, foreign tourists to the U. S. numbered 780,000, a 13% increase over the previous year but less than half the increase in Americans going abroad.

• **Private Drive**—The first awakening to the tourist problem really came in 1957. That year, the National Assn. of Travel Organizations spearheaded a drive to lure foreigners here. Then, in late 1958, Pres. Eisenhower announced that 1960 would be "Visit the U. S. A. Year," and urged full cooperation from government agencies and private groups.

Working on a thin budget ($55,400 in fiscal 1960; $165,000 in 1961), the Office of International Travel—set up after World War II to encourage Americans to travel abroad—coordinated the program. The State Dept. did its part by cutting red tape on visa applications, although travel experts say that many foreigners still object to the requirement that they appear in person at a consular office. The Immigration & Naturalization Service streamlined arrival formalities, and set up a large staff of "port receptionists" to greet and help foreign visitors at ports of entry.

• **Programs**—Meanwhile, private travel organizations and carriers have been actively promoting reverse tourism for two or three years. American Express Co., through its American Tour Units and its offices around the world, was among the front runners. Extensive "Visit U. S. A." programs have been sponsored by Pan American World Airways, Trans World Airlines, Braniff Airways (in Latin America), and other carriers. All stress low-budget tours.

A month ago, Scandinavian Airlines System (SAS) announced a major program to be launched in workshops throughout Europe, beginning in March, to sell the U. S. as a tourist haven. Joining SAS in the program will be American Airlines, Eastern Airlines, Western Air Lines, Greyhound Corp., Sheraton Corp. of America, Gray Line Sightseeing Co., LeBeau International Festivals Assn., and the National Assn. of Travel Organizations.

Needless to say, every U. S. travel group is backing Magnuson's bill. END

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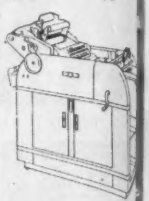
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In Research

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Soviet Scientists Say They're Doing Fine But Regret Poor Tie-in to Industry

At its annual meeting in Moscow last week, the Soviet Academy of Sciences agreed that Russian scientists are making major progress in such fields as space and automation, but conceded that there is much room for improvement—particularly in translating scientific findings into production-line technology.

Cooperation between science and industry is unsatisfactory, the academicians claimed. Scientists annually list the research achievements that they believe would be most helpful in industrial processing. But, for the most part, their recommendations gravitate toward the production of items of "secondary importance."

Much fine research and development equipment is available in Russia today, the academicians say. But the supply still lags behind the demand of the big institutes.

The pool of scientific manpower also bothers the Academy. Not only is it not of sufficiently high caliber to suit Academy members, but there is also too much friction between scientists in the different disciplines.

Among the areas to which the academicians want Russian scientists to direct more attention are: thermonuclear power, artificial photosynthesis, synthetic foodstuffs, the direct conversion of energy, and geology.

• • •

Doctors Report Progress in Using Enzymes to Help in Diagnosis

Thirty scientists from nine countries set forth the new importance of enzyme chemistry in medical diagnosis, when the New York Academy of Sciences held a three-day conference on the subject last week. They reported new methods for detecting, isolating, and identifying the 20,000 or 30,000 different enzymes produced by the human body.

Enzymes aren't generally used in diagnosis yet, but they could have great value, doctors think. Although they are produced in the body by cells, enzymes are only catalysts —independent of, but serving as a control mechanism for, innumerable chemical processes in the body.

From a medical standpoint, this makes enzymes significant as potentially the best indicator a doctor may have of chemical imbalance and disease. In the presence of cancer, for example, abnormal function of the metabolism is thought to trigger the production of certain types of enzymes. The difficulty has been to develop a device that's sensitive enough to screen these enzymes out.

Now, doctors at Johns Hopkins University say they have an "electrophoretic" technique by which they can classify enzymes not only by species but also by where they originated—in what cells or tissues in a given person. (In electrophoresis, particles are passed across an electrical field and are identified by the distinctive trails they leave.)

MORE NEWS ABOUT RESEARCH ON:

• P. 126—General Electric finds a profitable place in space.

• • •

Role of Weather in Illness and Treatment Turns Out to Be No Idle Jest

The old complaint—"feeling under the weather"—is more than an idle saying, according to medical investigation of the effect of climatic conditions on health. **Infectious diseases occur almost twice as frequently in winter as in summer; and at least two chronic diseases, diabetes and rheumatic fever, appear to increase during March and April.**

Therapeutic Notes, a medical journal published by Parke, Davis & Co., says a similar response to temperature changes can be noted in some asthma cases. Symptoms increase during sudden drops in temperature.

A study of appendicitis has shown that the worst time for an attack is during rising or high temperatures and falling or low barometric pressures. Tetanus occurs much more commonly in warm climates than in cold ones.

Evidence is also building up on the importance of climate in therapy, according to Dr. Harry E. Carnes, of Parke, Davis. Researchers have observed that the cardiac output of patients at rest in a warm and humid atmosphere is about 57% greater than it is in a cool and air-conditioned environment. **On the other hand, tropical climates seem to favor control of rheumatic heart disease.**

• • •

Aluminum Submarine Will Be Built To Aid Oceanographic Research

This week, final arrangements are being worked out to build a 75-ton, $2-million aluminum submarine for oceanographic research. The vessel, to be called the Aluminaut, will be used to explore ocean depths down to 15,000-18,000 ft. as part of the Navy's underseas warfare research program.

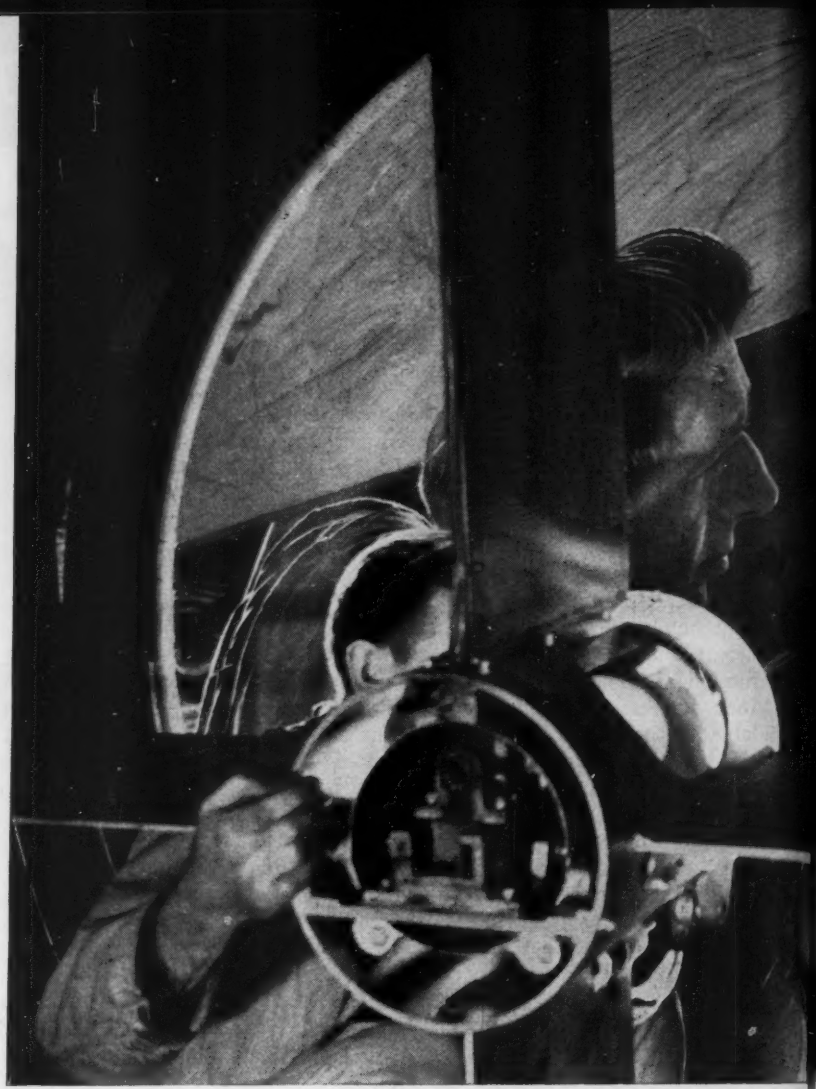
The Aluminaut will be 55 ft. long, 7 ft. in diameter, and its hull will be 6½ in. thick. It will carry three to five persons. The sub will be able to stay submerged for 36 hours and will have both verticle and lateral maneuverability, with an underwater speed of about 5 knots.

The Aluminaut will have a closed-circuit TV system with which the ocean floor can be viewed. Mechanical arms will collect actual samples. **The Navy hopes the new sub will enable it to learn more about the ocean bottom, water densities, and submarine detection techniques.**

Plans call for the Aluminaut to be owned by Reynolds Metals Co., which will lease it to the Navy's Office of Naval Research on a long-term basis. It will be built by the Electric Boat Div. of General Dynamics Corp., and will be ready in about a year.



MSVD's MANAGER, Hilliard W. Paige, sees a rosy future as the GE unit expands from research on missile nose cones to the whole broad field of space equipment.



SOLAR GENERATOR, right, is only one of the byproducts of space study. Technician is mirrored in the reflector as he makes adjustment. Aim is to convert energy directly for use in space.

GE Finds a Profitable Place in

Today, a scant six years after it was launched, the Missile & Space Vehicle Dept. of General Electric Co. (cover) is without doubt a commercial success.

GE isn't saying how much the department grosses or nets annually. But industry people are sure that only one or two companies in the U.S. currently are deriving more profits from the supplying of space equipment. And this week the MSVD got its 69th and 70th current government research and development contracts: one of $4.5-million as systems manager for the first two Nimbus weather satellites and another of $1.5-million to design the control system for the Nimbus series.

The department, which started with a cadre of 400 workers in 1955, has grown to 8,000, of whom 1,500 are scientists and engineers. It's still growing as the market potential expands.

• **Room to Stretch**—Hilliard W. Paige (cover and above), soft-spoken 41-year-old engineer who heads MSVD, says everyone has his own idea about the future market in space equipment. But GE estimates that, last year, the government spent $50-million on manned vehicles and $800-million on unmanned vehicles. GE projects the $50-million figure to $1.75-billion on manned vehicles alone by 1970. And it also sees a promising market in nonmilitary space programs.

In 1955, this scope wasn't visible. Military orders for R&D on space projects were just beginning to appear in volume. Just a few items were in great demand, notably a nose cone that would bring an atomic warhead safely back through the earth's atmosphere despite heat of air friction. This became GE's first project for MSVD—one that was to lead to contracts in the whole broad field of space equipment.

• **Not Easy to Justify**—The decision to set up MSVD and go after a whole new range of business wasn't easy for GE management to justify. The company had wet its feet in the development and production of one of the earliest missile systems, the Army's Hermes short-range missile, and it knew the risks involved.

In 1955, space technology was primitive. Facilities for broad research on a commercial scale would have to be set up virtually from scratch; top-flight people were few and hard to get. Yet GE felt that, if any company could do it, GE could. It was one of the few companies in the U.S. with the technical and financial resources to turn space work into a big and profitable venture.

It decided to take the gamble.

• **Setting It Up**—Credit for persuading top management that a new department should be devoted to space R&D is given to C. W. LaPierre, vice-president and group executive. After selling then-Pres. Ralph J. Cordiner, who is now chairman and chief executive officer, on the idea that space was a place for GE, LaPierre also selected the man to organize the new department.

He picked George F. Metcalf, who





MATERIALS that will stand up under conditions of reentering the earth's atmosphere are tested in this 6-ft.-dia. shock tube at MSVD lab. Sample was exposed to blasts of Mach 22—up to 22 times speed of sound.

ce in Space

had no space experience but had set up several successful R&D teams for the company. Paige became general manager of MSVD in 1958, when Metcalf was transferred to Washington as regional vice-president.

At the outset, the facilities of all GE labs were placed at the disposal of MSVD, and two shock tubes were installed at a Schenectady lab exclusively for the fledgling department. Then, GE tossed $7-million into equipping MSVD and its headquarters in Philadelphia, and another $28-million for a space technology center now under construction at Valley Forge, Pa.

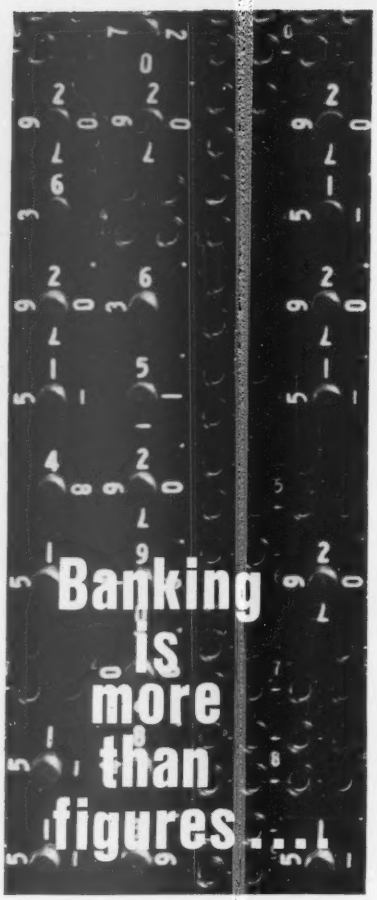
For MSVD's immediate manufacturing needs, GE turned over a metalworking plant in Burlington, Vt.

I. Nose Cones First

MSVD's first contract, for the Air Force's nose cone, turned out to be a real coup, but it could have proved disastrous. The urgency of the project



STUDIES GO EVEN FURTHER afield from MSVD's original business of developing nose cones. Here, biotechnologist Jack Konikoff explains experiments in converting urine to pure drinking water—part of broad research into problems of supporting life in space.



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alone might have made it more than a new organization could handle. But if GE wanted the contract, it had to accept the timing.

The problem was to invent a nose cone that would shield an intercontinental missile's warhead and instrumentation through the heat of reentry in the earth's atmosphere. In 1955, nobody knew much about nose cone construction; nobody was sure it would even be possible to build an effective nose cone from available materials.

• **Coping With Heat**—MSVD scientists scanned many theories for coping with the heat of missile reentry and decided that two had the best chances:

• The heat-sink method, in which the nose cone would be clad with a material, such as copper, that could absorb a great amount of heat.

• The principle of ablation, a phenomenon in which the surface of the material vaporizes, an extremely thin layer at a time, and the vapor carries off the heat.

For a crash program, MSVD people decided the heat-sink method probably had the better chance, though there had been little experimenting with either system. For one thing, more was known about heat-sink materials than about ablative materials.

Only 30 months after it landed the Air Force contract, MSVD had developed a nose cone using the heat-sink principle. Paige estimates that about 70 test flights were made during this development period. The result was MSVD's Mark II reentry vehicle, which is clad with more than 1,000 lb. of copper. The Mark II is used today as the nose cone on both the Atlas ICBM and the Thor IRBM.

Test-flight of the heat-sink nose cones had value beyond proving the design and materials. MSVD took advantage of the tests to study other materials, to measure radiation, and to take pictures of the earth from space. These studies have continuing importance in many of MSVD's other space projects.

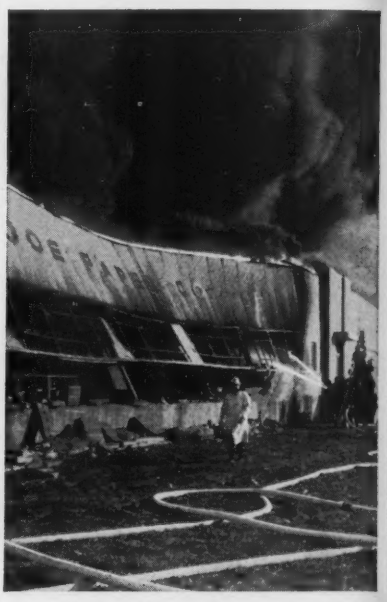
• **The Ablative Case**—Meanwhile, MSVD continued on the ablation method as offering still greater long-range promise. Ablative materials can be much lighter than the amount of copper needed in the heat-sink method, thus increasing the weight that can be devoted to payload.

MSVD scientists tested many such materials in shock tubes and wind tunnels. Eventually they were able to design the Mark III vehicle, built for the Air Force as an alternate nose cone for the Atlas.

II. Further Into Space

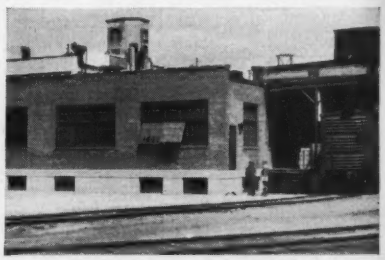
Besides being a success in its own right, GE's work on nose cones has put the company in an extremely good

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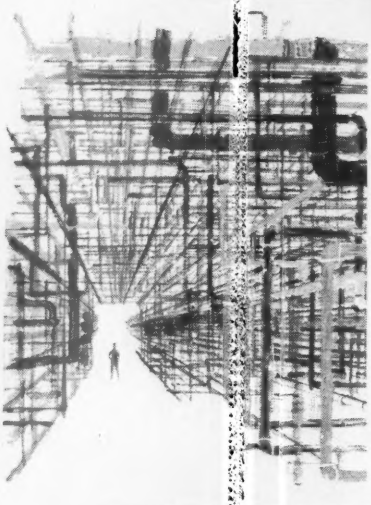
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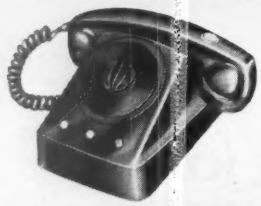
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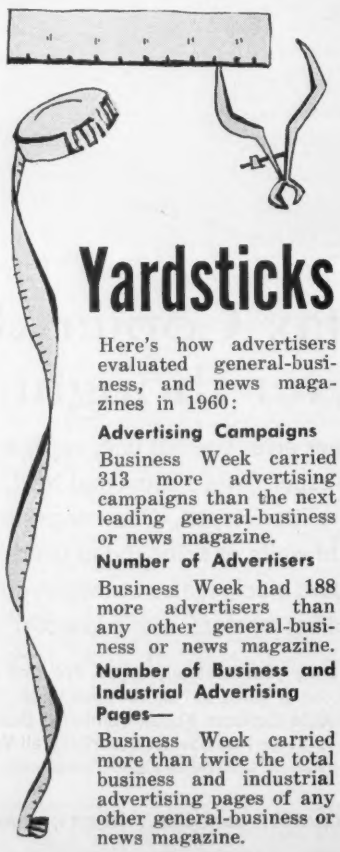
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NOSE CONE is mated to an Atlas missile on a gantry at Cape Canaveral. The 12-ft.-tall cone was recovered after a 5,000-mi. ballistic flight that yielded important data for MSVD researchers.

position in development of space vehicles as distinguished from missile components. Work on nose cones themselves is tapering off, but GE's experience is a major asset in the space vehicle business.

"A nose cone is actually a space vehicle," Paige explains. "It goes 700 mi. into space, and its equipment has to operate and survive in space. So it was a happy circumstance that we had conceived the concept of recovery in our work on the Atlas nose cone. Of course, a space vehicle must also be recoverable."

GE looks for government contracts in many different types of space research (pictures, pages 126 and 127). But it especially seeks work that seems likely to lead to advances in the state of the art or that is likely to lead to repeat orders.

Today, MSVD's basic facility, the Space Sciences Laboratory in Philadelphia, is organized under five major research groups: advanced aerodynamics, aerophysics, structure and dynamics, materials studies, and special projects. Typical investigations include behavior of materials under extreme heat and high impact, the effects of upper-atmospheric and space environments on vehicles and passengers, physical chemistry, high-altitude gas dynamics, energy transfer, applied dynamics, and studies of many materials.

• **The Product Mix**—MSVD has landed contracts for design and development of satellites for communications and weather and astronomical observations and manned vehicles for space travel. It is working on many subsystems for space vehicles.

For example, it has built a lab model

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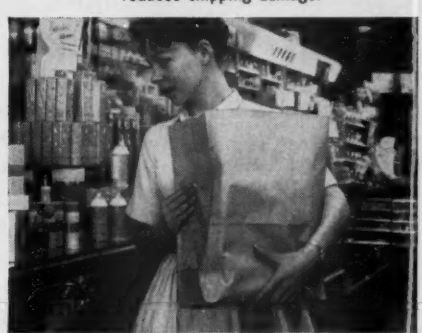
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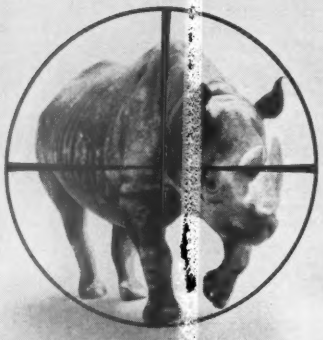
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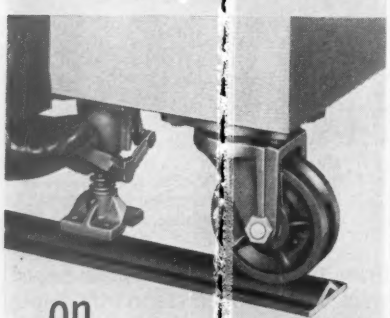
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(STORY on page 126)

of a device that will permit an astronaut to re-use the water he drinks and the oxygen he breathes. From its study of power sources has come a fuel cell that produces water and electricity. At the new Valley Forge Lab, MSVD will be able to simulate conditions in outer space for the testing of full-sized space vehicles.

"The tunnel will reproduce everything except the radiation a space vehicle will encounter," Paige says.

The diversity of its work has saved MSVD from some nasty bumps. When work on the Thor IRBM suddenly ended, for example, MSVD hardly felt the blow. Right now, 41% of MSVD's space work is still related to nose cones, but work on space vehicles has jumped from zero in 1955 to 38% of the total. By 1965, GE expects 65% of its space work to be in this field, even while MSVD's total business doubles.

III. Solid Footing

As MSVD grew to employing 6,000 at Philadelphia and 2,000 at its Burlington factory, it attracted technical people from the aircraft industry and from other electronic companies. Aircraft technicians have been especially eager to get into this field.

"They liked the job security we could offer," says Paige. "And they knew that GE wasn't going to allow MSVD to rise and fall on awards of contracts from the government . . . therefore that they wouldn't be subject to sudden layoffs."

However, no one without demonstrable technical competence has been welcome at MSVD—the fast-growing department has not time to train people.

Paige notes that many scientists are attracted by the GE policy of encouraging employees to write scientific papers. In 1960, MSVD staffers presented 346 technical papers at scientific and engineering meetings.

"But the greatest attraction was, and still is, the urgency and excitement of space work," Paige adds. "Every employee knows he is working on something important."

• **Luck and Management**—It was luck, says Paige, that when GE decided to go all-out for space work, it happened to have a nucleus of men already experienced in missile work. It may have been luck again when MSVD was ready to meet the growing demand for

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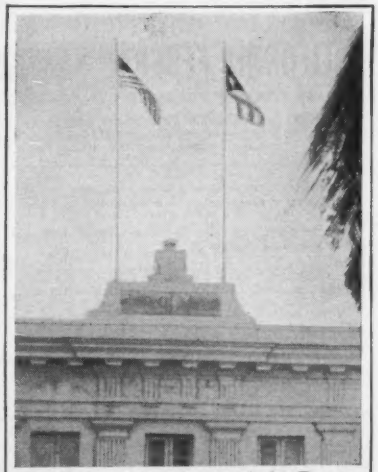
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62 U.S. manufacturers now operate two or more plants in booming Puerto Rico

One manufacturer has expanded to *eight* branch plants on this politically stable island. Here is an up-to-the-minute report on Puerto Rico's amazing industrial boom.



The Stars and Stripes and the Puerto Rican flag fly side by side at the governor's mansion in San Juan.

Property and investments in Puerto Rico are protected under two constitutions

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The U. S. dollar is currency. No passports are needed. Money, people, and goods move to and from the U.S. without red tape or tariffs. And U.S. manufacturers in Puerto Rico run their plants under commercial laws and practices that are familiar to them.

1. Two new U.S. plants a week. Over 600 U.S. factories have opened in Puerto Rico during the last decade. Sixty-two U. S. firms have expanded their Puerto Rico operations to two or more plants—and one company already has eight manufacturing subsidiaries in Puerto Rico. The pace gets livelier each year. In fiscal 1960, eighty-eight new U. S. plants began operations on the island. And U. S. manufacturers are now signing up at a rate greater than two a week.

2. New pattern for big industry. A pattern of integrated industry is beginning to emerge in Puerto Rico. The island's largest oil refinery is now providing raw materials for Union Carbide Caribe, a new $39,800,000 petrochemical plant near Ponce. This plant is now expanding to nearly double its present size.

Another U. S. complex, centered around a $5,800,000 flour and feed mill, includes three tuna packing plants valued at about $6,000,000, a $2,500,000 meat packing plant, and a $15,000,000 fertilizer industry.

3. No "runaway" plants wanted. Only genuinely new or expanding operations qualify for Puerto Rico's ten-year tax holiday. Puerto Rico does *not* grant tax exemption to plants that attempt to "run away" from the United States.

4. Skilled workers available. Puerto Rico's labor force of 625,000 includes many thousands of skilled workers. Twelve excellent vocational schools have a total enrollment of 17,000.

5. Precision work, high output. A U.S. electronics manufacturer says that his Puerto Rico operation went ahead of his plant on the mainland, in production per man hour, only ninety days after work started.

One U. S. electrical equipment manufacturer reports that workers in his plant on the island soon equaled the output of workers in his mainland plant—with only *half as many rejects.*

Altogether, fifty U.S. manufacturers are making electrical and electronic equipment in Puerto Rico.

6. After ten years, plants stay on. Fifty-nine U.S. factories have reached their tenth year in Puerto Rico; thus they have come to the end of their one hundred per cent tax holiday. Fifty-one of the fifty-nine plan to *continue* operating in Puerto Rico.

7. Imports and exports multiply. Puerto Rico's total income has doubled since the last war. Her private savings have almost trebled. Exports are five times greater. So are imports. Man for man, this island is the best overseas customer for U.S. goods. She bought $760,000,000 worth of U. S. products during fiscal 1960—a whopping 13 per cent increase over the previous year.

8. Truck your goods from Puerto Rico. New "trailerships" carry cargo in sealed truck bodies between Puerto Rico and several Atlantic seaboard ports. A sealed truck body is lifted off the trailer and onto the ship. At the port of debarkation, the body is lifted off the ship and onto a waiting trailer. This saves time, prevents pilferage.

For full details on Puerto Rico's many advantages as a place to live and do business, write Mr. Alex Higuera, Commonwealth of Puerto Rico, Economic Development Administration, Dept. B-2, 666 Fifth Avenue, New York 19, N. Y. Or get in touch with our offices in Miami, Philadelphia, Boston, Chicago or Los Angeles. In San Juan call Gabriel Rivera Hernandez at San Juan 3-0040.

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space vehicles, with its nose cone work having provided exactly the right kind of experience.

But Paige maintains it was good management, not luck, that has given the company its reputation for research and design work and that has placed technical people—scientists and engineers rather than salesmen, accountants, and production men—in the top places in all GE departments that deal with defense projects. With a technical background, GE management men can talk the same technical language as the customers they deal with.

MSVD's success is partly due, too, he feels, to the continued interest of top company officials in the work it is doing and in seeing that it gets the equipment and the people it needs. The department is still able to pick the cream of technical men.

"Good people attract good people," Paige says.



Power Under the Ice

This pressurized water nuclear reactor, buried beneath the ice at Camp Century, 138 mi. north of Thule, Greenland, soon will be supplying all of the electricity needed to make life bearable for 100 scientists and maintenance men at the first U.S. under-ice city (BW—Sep.26'59,p87).

The reactor was built by Alco Products, Inc., to deliver about 1,500 kw. of electricity and 1,000 lb. of steam per hour to be used for purifying air in the under-ice city.

Scientists will use Camp Century (1) to investigate the various problems involved in building permanent missile bases in the polar ice cap, and (2) find out more about the basic nature of ice, a substance that looks like a solid but behaves, in many ways, like a viscous liquid. **END**



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THE TREND

A Workable Approach to Medical Care

Pres. Kennedy's plan for a system of health insurance for the aged is a marked improvement on the Forand bill of last year (BW—Apr.16'60,pp25,184). The Forand bill put its emphasis almost exclusively upon hospitalization for the aged and ailing. This raised the danger of what health specialists call "hospitalitis"—the tendency to swamp the hospitals with people who might better be treated outside.

Kennedy seeks to avoid "hospitalitis" this way:

- The medical insurance for hospitalization is "deductible"—it requires the patient to pay $10 for each of the first nine days in the hospital.
- The program provides for outpatient diagnostic services—again with a deductible charge of $20.
- It provides for visiting nurse services and related home health services for a limited period.
- It encourages those patients who may still need skilled care after a period of hospitalization to go to less-expensive nursing homes.

This approach, which is tied to the Social Security program, makes sense in meeting a national need that is already urgent, and is getting more so year by year. Obviously, one must worry about the initial and future cost of the program (which Kennedy has not stated clearly). His message does suggest that the costs could be met by a ¼ of 1% increase in the Social Security contributions of employees and employers, and by raising the maximum earnings base on which taxes are collected from $4,800 to $5,000. This would yield about $1.5-billion a year, when the program became fully operative in 1963. Specialists who have worked with the Health, Education & Welfare Dept. both during the Eisenhower years and more recently say that the program has been carefully costed and is actuarially sound.

The $1.5-billion figure is big (even ignoring for the moment the fact that it may grow bigger), but it must be remembered that, if old people are sick, the costs of their illness have to be met one way or another—or else they must be left to suffer.

The essential question, therefore, is whether the Social Security system is the best way of meeting costs that cannot be avoided, in any case. We see no better alternative to Social Security for doing the essential job: spreading the burdens of old age over the years when people are younger, are working, and have more adequate incomes.

This is not to say that we are wholly in agreement with Kennedy's message to Congress. It was a mistake for him to bring into it programs for the health of children or programs of vocational rehabilitation. The program to provide medical care for the aged is properly linked to Old Age & Survivors Insurance. This program for the aged may in fact be jeopardized by trying to bring in other programs in a mistaken political effort to "balance" the medical program by providing benefits for the young as well as the aged.

There's another concern that Kennedy's plan raises: In an effort to avoid the "socialized medicine" label, it carefully says that there is no intention to regulate the medical profession or the hospitals. This is doubtless a necessary proviso—but it involves a danger as well: the danger that the Social Security payments will simply feed the long-continuing rise in medical fees. The effectiveness of the program will be dissipated unless doctors, hospitals, and the broad public exercise self-restraint and do not use the Social Security program as an engine of inflation for the costs of medical care.

The Kennedy message does face up to the problem of mounting medical costs in its own way. It recognizes that there is a serious, and worsening, shortage of doctors, and it proposes to build more medical schools and training hospitals and to provide for medical scholarships to deal with the shortage. Thus, it proposes to attack the country's medical problems not only from the demand side, but from the supply side as well.

Time to Speak Up

It is a piece of bad luck for business that, just as a new Administration takes office, a spotlight of scandal has been focused on some important American businessmen. First, there were the sensational charges and countercharges involving conflicts of interest at Chrysler Corp. Then came headlines about the big electrical manufacturing companies and their executives who pleaded guilty (or no contest) and were sentenced for rigging prices.

Rightly or wrongly, people in general find it hard to believe that directors and top-level executives were unaware of what was going on. They say that if top management didn't know, it should have. This widespread public sentiment is something that top managers must recognize, even though they insist that it is unfair and mistaken.

Such an awareness can lead to positive action.

First, those with top responsibility must make doubly sure that operating and field people know what policy is and obey it.

Second, businessmen, individually and collectively, should state their position on these ethical questions publicly and forcefully. Declarations of codes of ethics often sound hollow, but they can help guide the actions of subordinates, for whom the corporation after all is responsible. In times like these, tremendous pressures to produce profitable results are brought to bear at every level in an organization. It would be healthy for every corporation to make it plain that pressure is no excuse for wrong-doing.

